

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Edison Local School District
Jefferson County
P.O. Box 158
Hammondsville, Ohio 43930

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Edison Local School District, Jefferson County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted *accounting principles*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of expenditures of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



JIM PETRO
Auditor of State

January 5, 2000

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
ASSETS AND OTHER DEBITS			
ASSETS:			
Equity in pooled cash and cash equivalents	\$1,132,479	\$392,856	\$7,853
Investments - nonexpendable trust fund	3,264		
Receivables (net of allowances of uncollectibles)			
Property taxes - current & delinquent	10,546,714		
Accounts	8,723	407	
Interfund loan receivable	34,777		
Due from other governments		6,054	
Prepayments	27,450		
Materials and supplies inventory			
Restricted assets:			
Equity in pooled cash and cash equivalents	311,211		
Property, plant and equipment (net of accumulated depreciation where applicable)			
OTHER DEBITS:			
Amount available in Debt Service Fund for retirement of general long-term obligations			
Amount to be provided from general government resources			
Total assets and other debits	<u>12,064,618</u>	<u>399,317</u>	<u>7,853</u>
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES:			
Accounts payable	8,607	11,920	
Accrued wages and benefits	1,330,011	201,054	
Compensated absences payable	133,964	1,100	
Pension obligation payable	215,514	25,032	
Interfund loan payable			
Deferred revenue	6,725,753		
Due to other governments	3,657	48	
Due to students			
Claims payable			
Term loan payable			
Total liabilities, equity and other credits	<u>8,417,506</u>	<u>239,154</u>	
EQUITY AND OTHER CREDITS:			
Investment in general fixed assets			
Contributed capital			
Retained earnings:			
unreserved			
Fund balances (deficit):			
Reserved for encumbrances	28,499	38,885	
Reserved for prepayments	27,450		
Reserved for debt service			7,853
Reserved for tax revenue unavailable for appropriation	3,820,880		
Reserved for principal endowment			
Reserved for budget stabilization	310,897		
Reserved for capital acquisition	314		
Unreserved-undesignated	(540,928)	121,278	
Total equity and other credits	<u>3,647,112</u>	<u>160,163</u>	<u>7,853</u>
Total liabilities, equity and other credits	<u>\$12,064,618</u>	<u>\$399,317</u>	<u>\$7,853</u>

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$46,078	\$406,061	\$66,753 105,506			\$2,052,080 108,770
30					10,546,714 9,160 34,777
47,064					53,118 27,450
12,395					12,395
					311,211
95,761			\$13,464,578		13,560,339
				\$7,853	7,853
				2,439,941	2,439,941
<u>201,328</u>	<u>406,061</u>	<u>172,259</u>	<u>13,464,578</u>	<u>2,447,794</u>	<u>29,163,808</u>
8					20,535
41,422					1,572,487
21,790				1,115,115	1,271,969
19,656				114,679	374,881
34,777					34,777
6,124					6,731,877 3,705
		63,172			63,172
	31,076				31,076
				1,218,000	1,218,000
<u>123,777</u>	<u>31,076</u>	<u>63,172</u>		<u>2,447,794</u>	<u>11,322,479</u>
			13,464,578		13,464,578
1,000					1,000
76,551	374,985				451,536
					67,384 27,450 7,853
		100,000			3,820,880 100,000 310,897 314
		9,087			(410,563)
<u>77,551</u>	<u>374,985</u>	<u>109,087</u>	<u>13,464,578</u>		<u>17,841,329</u>
<u>\$201,328</u>	<u>\$406,061</u>	<u>\$172,259</u>	<u>\$13,464,578</u>	<u>\$2,447,794</u>	<u>\$29,163,808</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$10,584,878					\$10,584,878
Earnings on investments	123,780				\$100	123,880
Other local revenues	204,467	\$250,132			2,407	457,006
Other revenue				\$82,114		82,114
Intergovernmental - State	3,779,603	994,889				4,774,492
Intergovernmental - Federal		939,158				939,158
Total	14,692,728	2,184,179		82,114	2,507	16,961,528
Expenditures:						
Current:						
Instruction:						
Regular	7,121,343	684,217				7,805,560
Special	1,086,801	607,854				1,694,655
Vocational	292,533					292,533
Other	20,463	30,368				50,831
Support services:						
Pupil	487,037	113,006				600,043
Instructional staff	411,617	509,879				921,496
Board of Education	85,352					85,352
Administration	1,044,411	190,419				1,234,830
Fiscal	339,408	700				340,108
Business	28,246			51,042		79,288
Operations and maintenance	1,644,754	690				1,645,444
Pupil transportation	1,495,080	83,665				1,578,745
Central		1,421				1,421
Community services	105				1,915	2,020
Extracurricular activities	210,462	136,894				347,356
Facilities acquisition and construction				28,557		28,557
Debt service:						
Principal retirement			\$638,875			638,875
Interest and fiscal charges	23,676		30,264			53,940
Total expenditures	14,291,288	2,359,113	669,139	79,599	1,915	17,401,054
Excess (deficiency) of revenues over (under) expenditures	401,440	(174,934)	(669,139)	2,515	592	(439,526)
Other financing sources (uses):						
Operating transfers in	1,181	34,535	669,139	10,662		715,517
Operating transfers out	(691,046)	(39,324)		(821)		(731,191)
Proceeds from sale of fixed assets	3,400					3,400
Proceeds of loan	1,218,000					1,218,000
Total other financing sources (uses)	531,535	(4,789)	669,139	9,841		1,205,728
Excess (deficiency) of revenues and other financing sources over (under) over/(under) expenditures and other financing uses	932,975	(179,723)	0	12,356	592	766,200
Fund balances (deficit), July 1 (restated)	2,714,137	339,886	7,853	(12,356)	2,989	3,052,509
Fund balances, June 30	<u>\$3,647,112</u>	<u>\$160,163</u>	<u>\$7,853</u>	<u>\$0</u>	<u>\$3,581</u>	<u>\$3,818,709</u>

The notes to the general purpose financial statements are an integral part of this statement

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>General</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:			
From local sources:			
Taxes	\$9,772,895	\$10,276,174	\$503,279
Earnings on investments	115,000	123,780	8,780
Other local revenues	0	187,441	187,441
Other revenue			
Intergovernmental - State	3,634,888	3,779,603	144,715
Intergovernmental - Federal			
Total revenues	<u>13,522,783</u>	<u>14,366,998</u>	<u>844,215</u>
Expenditures:			
Current:			
Instruction			
Regular	7,016,957	7,016,915	42
Special	1,057,854	1,057,854	0
Vocational	286,832	286,832	0
Other	17,802	17,802	0
Support services:			
Pupil	355,947	355,947	0
Instructional staff	398,275	398,275	0
Board of Education	85,243	85,243	0
Administration	1,080,337	1,080,337	0
Fiscal	330,522	331,345	(823)
Business	30,515	30,515	0
Operations and maintenance	1,694,736	1,694,736	0
Pupil transportation	1,449,326	1,449,326	0
Central			
Community services	105	105	0
Extracurricular activities	208,413	208,413	0
Facilities acquisition & construction			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>14,012,864</u>	<u>14,013,645</u>	<u>(781)</u>
Excess (deficiency) of revenues over (under) exes	<u>(490,081)</u>	<u>353,353</u>	<u>843,434</u>
Other financing sources (uses):			
Refund of prior year's expenditures	0	258	258
Operating transfers in	0	358,257	358,257
Operating transfers out	(736,834)	(749,876)	(13,042)
Advances in	0	81,292	81,292
Advances out	0	(34,777)	(34,777)
Proceeds from sale of fixed assets	0	3,400	3,400
Proceeds of loan	0	379,623	379,623
Total other financing sources (uses)	<u>(736,834)</u>	<u>38,177</u>	<u>775,011</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(1,226,915)</u>	<u>391,530</u>	<u>1,618,445</u>
Fund balances, July 1	891,370	891,370	0
Prior year encumbrances appropriated	127,146	127,146	0
Fund balances, June 30	<u>(\$208,399)</u>	<u>\$1,410,046</u>	<u>\$1,618,445</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$248,423	\$248,423	\$0			
1,141,930	994,890	(147,040)			
932,847	932,847	0			
<u>2,323,200</u>	<u>2,176,160</u>	<u>(147,040)</u>			
615,745	615,745	0			
611,206	611,206	0			
32,568	32,568	0			
140,329	140,329	0			
503,011	503,011	0			
193,655	193,618	37			
700	700	0			
690	690	0			
83,665	83,665	0			
1,421	1,421	0			
159,794	159,794	0			
			\$316,279	\$316,279	\$0
			54,614	54,614	0
<u>2,342,784</u>	<u>2,342,747</u>	<u>37</u>	<u>370,893</u>	<u>370,893</u>	<u>0</u>
(19,584)	(166,587)	(147,003)	(370,893)	(370,893)	0
97,780	97,957	177	187,000	370,893	183,893
(102,387)	(102,747)	(360)			
<u>(4,607)</u>	<u>(4,790)</u>	<u>(183)</u>	<u>187,000</u>	<u>370,893</u>	<u>183,893</u>
(24,191)	(171,377)	(147,186)	(183,893)	0	183,893
375,772	375,772	0	7,853	7,853	0
140,683	140,683	0	0	0	0
<u>\$492,264</u>	<u>\$345,078</u>	<u>(\$147,186)</u>	<u>(\$176,040)</u>	<u>\$7,853</u>	<u>\$183,893</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(CONTINUED)**

	<u>Capital Projects</u>		
	<u>Budget Revised</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:			
From local sources:			
Taxes			
Earnings on investments			
Other local revenues			
Other revenue	\$94,491	\$82,114	(\$12,377)
Intergovernmental - State			
Intergovernmental - Federal			
Total revenues	<u>94,491</u>	<u>82,114</u>	<u>(12,377)</u>
Expenditures:			
Current:			
Instruction			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration			
Fiscal			
Business	77,185	77,185	0
Operations and maintenance			
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities acquisition & construction	28,557	28,557	0
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>105,742</u>	<u>105,742</u>	<u>0</u>
Excess (deficiency) of revenues over (under) exes	<u>(11,251)</u>	<u>(23,628)</u>	<u>(12,377)</u>
Other financing sources (uses):			
Refund of prior year's expenditures			
Operating transfers in	10,662	10,662	0
Operating transfers out	(821)	(821)	0
Advances in			
Advances out	(81,293)	(81,293)	0
Proceeds from sale of fixed assets			
Proceeds of loan			
Total other financing sources (uses)	<u>(71,452)</u>	<u>(71,452)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(82,703)</u>	<u>(95,080)</u>	<u>(12,377)</u>
Fund balances, July 1	0	0	0
Prior year encumbrances appropriated	<u>95,080</u>	<u>95,080</u>	<u>0</u>
Fund balances, June 30	<u>\$12,377</u>	<u>\$0</u>	<u>(\$12,377)</u>

The notes to the general purpose financial statements are an integral part of this statement

Total (Memorandum only)

<u>Budget Revised</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
\$9,772,895	\$10,276,174	\$503,279
115,000	123,780	8,780
248,423	435,864	187,441
94,491	82,114	(12,377)
4,776,818	4,774,493	(2,325)
932,847	932,847	0
<u>15,940,474</u>	<u>16,625,272</u>	<u>684,798</u>
7,632,702	7,632,660	42
1,669,060	1,669,060	0
286,832	286,832	0
50,370	50,370	0
496,276	496,276	0
901,286	901,286	0
85,243	85,243	0
1,273,992	1,273,955	37
331,222	332,045	(823)
107,700	107,700	0
1,695,426	1,695,426	0
1,532,991	1,532,991	0
1,421	1,421	0
105	105	0
368,207	368,207	0
28,557	28,557	0
316,279	316,279	0
54,614	54,614	0
<u>16,832,283</u>	<u>16,833,027</u>	<u>(744)</u>
<u>(891,809)</u>	<u>(207,755)</u>	<u>684,054</u>
0	258	258
295,442	837,769	542,327
(840,042)	(853,444)	(13,402)
0	81,292	81,292
(81,293)	(116,070)	(34,777)
0	3,400	3,400
0	379,623	379,623
<u>(625,893)</u>	<u>332,828</u>	<u>958,721</u>
(1,517,702)	125,073	1,642,775
1,274,995	1,274,995	0
362,909	362,909	0
<u>\$120,202</u>	<u>\$1,762,977</u>	<u>\$1,642,775</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees	\$13,764			\$13,764
Sales/charges for services	224,027	\$2,337,430		2,561,457
Investment earnings			\$6,268	6,268
Total operating revenues	237,791	2,337,430	6,268	2,581,489
Operating expenses:				
Personal services	357,598			357,598
Contract services	275,266	280,189		555,455
Materials and supplies	51,789			51,789
Depreciation	16,038			16,038
Other			9,000	9,000
Claims expense		1,395,425		1,395,425
Total operating expenses	700,691	1,675,614	9,000	2,385,305
Operating income (loss)	(462,900)	661,816	(2,732)	196,184
Nonoperating revenues (expenses):				
Operating grants	322,464			322,464
Federal commodities	45,006			45,006
Interest revenue	832			832
Loss on sale of assets	(157)			(157)
Miscellaneous	3,565			3,565
Total nonoperating revenues (expenses)	371,710			371,710
Net Income (loss) before operating transfers	(91,190)	661,816	(2,732)	567,894
Operating transfers in	40,963			40,963
Operating transfers out	(25,289)			(25,289)
Net income (loss)	(75,516)	661,816	(2,732)	583,568
Retained earnings (accumulated deficit)/ fund balance, July 1	152,067	(286,831)	108,238	(26,526)
Retained earnings/fund balance, June 30	\$76,551	\$374,985	\$105,506	\$557,042

The notes to the general purpose financial statements are an integral part of this statement.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees	\$13,734			\$13,734
Cash received from sales/service charges	224,027	\$2,337,430		2,561,457
Cash payments for personal services	(354,846)			(354,846)
Cash payments for contract services	(275,258)	(326,020)		(601,278)
Cash payments for materials and supplies	(8,057)			(8,057)
Cash payments for claims expenses		(1,605,349)		(1,605,349)
Cash payments for other expenses			(\$9,000)	(9,000)
Net cash provided by (used in) operating activities.	(400,400)	406,061	(9,000)	(3,339)
Cash flows from noncapital financing activities:				
Cash received from operating grants	275,400			275,400
Cash received from interfund loans	34,777			34,777
Transfers in from other funds	82,882			82,882
Cash received from nonoperating activities	3,565			3,565
Transfers out to other funds	(67,208)			(67,208)
Net cash provided by noncapital financing activities	329,416			329,416
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(18,650)			(18,650)
Net cash used in capital and related financing activities	(18,650)			(18,650)
Cash flows from investing activities:				
Interest received	832		6,268	7,100
Net cash provided by Investing activities	832		6,268	7,100
Net increase (decrease) in cash and cash equivalents	(88,802)	406,061	(2,732)	314,527
Cash and cash equivalents at beginning of year	134,880	0	108,238	243,118
Cash and cash equivalents at end of year	46,078	406,061	105,506	557,645
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(462,900)	661,816	(2,732)	196,184
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	16,038			16,038
Federal donated commodities	45,006			45,006
Interest reported as operating income			(6,268)	(6,268)
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	12,343			12,343
Increase decrease in accounts receivable	(30)			(30)
Increase (decrease) in accounts payable	15	(45,831)		(45,816)
Increase in accrued wages and benefits	11,097			11,097
Decrease in compensated absences payable	(5,066)			(5,066)
Decrease in pension obligation payable	(3,286)			(3,286)
Decrease in claims payable		(209,924)		(209,924)
Decrease in deferred revenue	(13,617)			(13,617)
Net cash provided by (used in) operating activities.	(\$400,400)	\$406,061	(\$9,000)	(\$3,339)

The notes to the general purpose financial statements are an integral part of this statement.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

1. DESCRIPTION OF THE ENTITY

The Edison Local School District (the "School District") is organized under Section 3311.03 of the Ohio Revised Code as a local school district. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District currently ranks as the 172nd largest in terms of total enrollment among the 612 districts in the State of Ohio. The School District is staffed by 120 non-certificated employees and 209 certificated full-time teaching personnel who provide services to 2,998 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are as follows:

A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the general purpose financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units. The following organizations are described due to their relationship with the School District.

1. JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) - OME-RESA is a not-for-profit computer service organization whose primary function is to provide information technology services to it member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

OME-RESA is one of twenty-three regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by OME-RESA is developed by the ODE.

OME-RESA is owned and operated by forty-nine member school districts in ten different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member school districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During the year ended June 30, 1999, the School District paid approximately \$52,915 to OME-RESA for basic service charges.

Jefferson County Joint Vocational School ("JVS") - The JVS, established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The JVS is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the School District's continued participation and no measurable equity interest exists.

2. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For general purpose financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

The general fund is the operating fund of the School District and is used to account for all *financial resources except those required to be accounted for in another fund*. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds

The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds

The internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

3. Fiduciary Funds Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include an expendable trust fund, a nonexpendable trust fund, and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of the agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary or trust fund.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the GPFS. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds and expendable trust fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue on the combined balance sheet.

D. Budgets

The School District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and the Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Jefferson County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the *original appropriated amounts*. All supplemental appropriations were legally enacted by the Board prior to June 30, 1999; however, none of these amendments were significant. The budget figures, as shown in the accompanying "Combined Statement of Revenue, Expenditures and Changes in Fund Balances Budget (NonGAAP Basis) and Actual - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with School District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability.

For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance.

Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 13 provides disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" and "Investments" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio, certificates of deposit, and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price the investment could be sold for on June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, *investment earnings are assigned to the general fund, the expendable trust fund and the nonexpendable trust fund.* The Food Service enterprise fund receives interest earnings based upon Federal mandate. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$123,780, which includes \$50,703 assigned from other funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption.

The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The School District follows the policy of not capitalizing assets with a cost of less than \$500 except for textbooks and library books. This is based primarily on the uniqueness of these items to school operations. No depreciation is recognized for assets in the general fixed assets *account group.* *The School District does not have any infrastructure.*

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Asset	Life (years)
Furniture, fixtures and equipment	5 - 20

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The School District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Allowance
- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Drug-Free Schools
- Teacher Development Block Grant
- Instructional Materials Subsidy
- Title VI
- Title VI-B
- Eisenhower Grant
- School to Work
- Adult Basic Education
- Public School Preschool
- Other Grant
- Telecommunications Grant
- Preschool
- SchoolNet Professional Development

Capital Projects Funds

- School Net

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Grants and entitlements amounted to approximately 30 percent of the School District's operating revenue during the 1999 fiscal year.

I. Compensated Absences

Compensated absences of the School District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the School District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded as "compensated absences payable" in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

J. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year end are considered not to have been made with current available financial resources. Long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. GAAP requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Transactions

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable and payable". The School District had short-term interfund loans receivable and payable at June 30, 1999.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The School District had no long-term advances receivable or payable at June 30, 1999.

An analysis of interfund transactions is presented in Note 5.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service, prepayments, principal endowment, budget stabilization and capital acquisition. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and capital acquisition reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. A schedule of statutory reserves is presented in Note 18.

P. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

Q. Total Columns on General Purpose Financial Statements

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate additional financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY

A. Prior Period Adjustment

A prior period adjustment is required as the School District overstated accounts payable in the Special Revenue Funds and understated the accounts payable in the Capital Projects Funds at June 30, 1998. The effect of this adjustment on fund balance as previously reported at June 30, 1998 is as follows:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. ACCOUNTABILITY (Continued)

	Special Revenue	Capital Projects
Fund balance as previously reported	\$313,741	\$ 13,789
Restatement for accounts payable	<u>26,145</u>	<u>(26,145)</u>
Restated fund balance (deficit) at July 1, 1998	<u>\$339,886</u>	<u>\$(12,356)</u>

B. Deficit Fund Balances

Fund balance at June 30, 1999 included the following fund deficits:

	Deficit Balance
Special Revenue Funds	
Teacher Development Block Grant	\$ 90
Education Management Information Systems	43
Disadvantaged Pupil Impact Aid	91,063
SchoolNet Professional Development	7

These funds complied with Ohio State law, which does not permit a cash basis deficit year end. These deficit fund balances are caused by the application of GAAP, namely in the reporting of accrued wages, benefits, and pension obligations attributable to the fiscal year. These deficits will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

C. Agency Funds

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

Assets	
Accounts receivable	\$404
Liabilities	
Accounts payable	\$652

4. EQUITY IN POOLED CASH AND INVESTMENTS

The School District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents" and "Investments. Statutes require the classification of monies held by the School District into three categories:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. *Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.*

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. *Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;*
4. Bonds and other obligations of the State of Ohio;
5. *No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;*
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt instruments in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end the carrying amount of the School District's deposits was \$48,442, including non-negotiable certificates of deposit and the bank balance, including non-negotiable certificates of deposit, was \$118,870. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$18,870 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or securities held by the School District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the School District's name. Investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
Repurchase Agreement	\$ <u>352,316</u>	\$ 352,316	\$ 352,316
Investment in STAR Ohio		<u>2,071,303</u>	<u>2,071,303</u>
Total		\$ <u>2,423,619</u>	\$ <u>2,423,619</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 2,363,291	\$ 108,770
Investments of the cash management pool:		
Investment in STAR Ohio	(2,071,303)	2,071,303
Certificates of deposit	108,770	(108,770)
Repurchase agreement	<u>(352,316)</u>	<u>352,316</u>
GASB Statement No. 3	<u>\$ 48,442</u>	<u>\$ 2,423,619</u>

5. INTERFUND TRANSACTIONS

A. *Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:*

	Interfund Receivable	Interfund Payable
General Fund	\$ 34,777	\$ 0
Enterprise Funds		
Food Service	<u>0</u>	<u>34,777</u>
Total	<u>\$ 34,777</u>	<u>\$ 34,777</u>

B. *The following is a summarized breakdown of the School District's operating transfers for 1999:*

	Transfers In	Transfers Out
General Fund	\$ 1,181	\$ 691,046
Special Revenue Funds		
Public School Support	0	76
District Managed Student Activity	76	0
Teacher Development Block Grant	0	356
Disadvantaged Pupil Impact Aid	33,409	177
SchoolNet Professional Development	1,050	0
Instructional Materials Subsidy	0	38,711
Job Training Partnership	0	4
Debt Service Fund	669,139	0
Capital Projects Funds		
Permanent Improvement	10,662	0
SchoolNet	0	821
Enterprise Funds		
Food Service	38,153	25,289
Recreation	<u>2,810</u>	<u>0</u>
Total	<u>\$ 756,480</u>	<u>\$ 756,480</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Jefferson, Carroll and Harrison Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance and recorded as revenue at June 30, 1999, was \$3,820,880 in the general fund.

Taxes available for advance and recognized as revenue but not received by the School District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The School District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The assessed value upon which the 1998 taxes were collected was \$376,179,763. Agricultural/Residential and public utility/minerals real estate represented 26.78% or \$100,738,190 of this total; Commercial & Industrial real estate represented 8.17% or \$30,729,040 of this total, public utility tangible represented 61.99% or \$233,218,860 of this total and general tangible property represented 3.06% or \$11,493,673 of this total. The voted general tax rate at the fiscal year ended June 30, 1998 was \$27.6 per \$1000.00 of assessed valuation for operations.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	\$10,546,714
Accounts	8,723
Interfund loan	34,777
Special Revenue Funds	
Due from other governments	6,054
Accounts	407
Enterprise Funds	
Due from other governments	47,064
Accounts	30

8. FIXED ASSETS

A summary of the proprietary fixed assets at June 30, 1999, as follows:

Furniture and equipment	\$ 390,135
Less accumulated depreciation	<u>(294,374)</u>
Net fixed assets	<u>\$ 95,761</u>

A summary of the changes in general fixed assets during fiscal year 1999 as follows:

Asset Category	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land and improvements	\$ 542,161	\$ 113,214	\$ (3,330)	\$ 652,045
Buildings and improvements	6,446,561	985,997	(19,936)	7,412,622
Furniture, fixtures and equipment	2,621,010	201,689	(21,661)	2,801,038
Vehicles	1,682,136	0	0	1,682,136
Books	<u>947,473</u>	<u>0</u>	<u>(30,736)</u>	<u>916,737</u>
Total	<u>\$12,239,341</u>	<u>\$ 1,300,900</u>	<u>(75,663)</u>	<u>13,464,578</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 1999 are summarized by source as follows:

	Food Service
Contributed capital, July 1, 1998	\$ 0
Current contributions from general fund	<u>1,000</u>
Contributed capital, June 30, 1999	<u>\$ 1,000</u>

10. LONG-TERM OBLIGATIONS

A. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
Energy conservation loan, 4.95% interest	\$ 638,875	\$ 0	\$ (638,875)	\$ 0
Term loan, 4.50% interest	0	1,218,000	0	1,218,000
Pension obligation payable	125,539	114,679	(125,539)	114,679
Compensated absences	<u>1,218,762</u>	<u>0</u>	<u>(103,647)</u>	<u>1,115,115</u>
Total	<u>\$1,983,176</u>	<u>\$ 1,332,679</u>	<u>\$ (868,061)</u>	<u>\$ 2,447,794</u>

B. On June 7, 1999, the School District received \$1,218,000 in proceeds from a term loan. The loan bears an interest rate of 4.5% and was obtained through Citizen's National Bank. The proceeds were used to repay the energy conservation loan and tax anticipation note and to finance a new addition to the high school.

The loan is a general obligation of the School District for which full faith and credit of the School District is pledged for repayment. Accordingly, such unmatured obligations of the School District are accounted for in the general long-term obligation account group. Payments of principal and interest relating to this liability is recorded as an expenditure in the debt service fund.

The following is a summary of the School District's future annual debt service requirements to maturity for general obligation debt:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30	Principal on Loan	Interest on Loan	Total
2000	\$ 270,667	\$ 42,275	\$ 312,942
2001	270,667	40,143	310,810
2002	270,667	27,794	298,461
2003	270,667	15,445	286,112
2004	<u>135,332</u>	<u>3,096</u>	<u>138,428</u>
Total	<u>\$1,218,000</u>	<u>\$ 128,753</u>	<u>\$1,346,753</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$33,864,032 (including available funds of \$7,853) and an unvoted debt margin of \$376,180.

11. NOTES PAYABLE

The following is a description of the School District's general obligation notes outstanding as of June 30, 1999:

	Interest Rates	Maturity Date	Balance July 1, 1998	Retired in 1999	Balance June 30, 1999
Tax anticipation notes	5.1%	Various	<u>\$524,500</u>	<u>\$(524,500)</u>	<u>\$ 0</u>

The tax anticipation note was repaid in fiscal year 1999 with proceeds of the term loan received on June 7, 1999 (See Note 10.B).

12. RISK MANAGEMENT

A. Fidelity Bond

The Treasurer is covered under a surety bond in the amount of \$50,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

B. Comprehensive

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the School District has contracted with the following insurance companies to provide coverage in the following amounts:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. RISK MANAGEMENT (Continued)

Coverage	Limits of Coverage	Deductible
Harcum-Hyre Insurance Company		
General liability:		
Each occurrence	\$ 1,000,000	\$ 1,000
Aggregate	5,000,000	1,000
Umbrella liability:		
Each occurrence	1,000,000	10,000
Aggregate	5,000,000	10,000
Nationwide Insurance Company		
Fleet:		
Comprehensive	1,000,000	0
Collision	3,000,000	500
Indiana Insurance Company		
Building and contents	63,505,783	500

Settled claims have not exceeded this commercial coverage in any of the past three years.

C. Health and Dental Insurance

The School District is self insured for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$25,000. The aggregate stop-loss is \$1,800,000. Aggregate stop-loss claims are covered based on the aggregate stop-loss factor, times total plan population, times twelve months. The single plan aggregate stop-loss factor is \$55.13 and the family plan factor is \$55.13.

The claims liability of \$31,076 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

Beginning Fiscal Year	Claims Balance	Claims Incurred	Ending Payments	Balance
1999	\$241,000	\$1,395,425	\$(1,605,349)	\$ 31,076
1998	\$315,000	\$1,821,326	\$1,895,326	\$241,000

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. RISK MANAGEMENT (Continued)

D. Worker's Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, a swimming program and preschool operations. The following table reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform Supplies	Adult Recreation	Preschool Tuition	Total Enterprise Funds
Operating revenues	\$ 224,027	\$2,819	\$ 0	\$10,945	\$ 237,791
Operating expenses					
less depreciation	676,567	3,384	4,702	0	684,653
Depreciation expense	16,038	0	0	0	16,038
Operating income (loss)	(468,578)	(565)	(4,702)	10,945	(462,900)
Donated commodities	45,006	0	0	0	45,006
Operating grants	322,464	0	0	0	322,464
Operating transfers in	38,153	0	2,810	0	40,963
Operating transfers out	25,289	0	0	0	25,289
Net income (loss)	(87,569)	(565)	1,673	10,945	(75,516)
Net working capital	(37,757)	2,305	1,673	42,086	8,307
Total assets	155,257	2,305	1,680	42,086	201,328
Total liabilities	123,770	0	7	0	123,777
Contributed capital	1,000	0	0	0	1,000
Total equity	31,487	2,305	1,673	42,086	77,551
Encumbrances outstanding at June 30, 1999	37	0	150	0	187

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board (SERB). SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$348,190, \$318,540, and \$287,856, respectively. Of the contribution requirement, 58.6 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$143,978, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,119,177, \$1,019,568, and \$1,024,752, respectively. Of the contribution requirement, 82.6 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$194,208, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The School District's liability is 6.2 percent of wages paid.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, The Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$639,530 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, (the latest information available), were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million and approximately 50,000 participants receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$156,856 during the 1999 fiscal year.

16. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. BUDGETARY BASIS OF ACCOUNTING (Continued)

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- C. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$ 391,530	\$(171,377)	\$ 0	\$(95,080)
Revenue accruals	325,730	8,019	0	0
Expenditure accruals	(314,551)	(64,144)	(298,246)	26,143
Other financing sources (uses) accruals	493,358	1	298,246	81,293
Encumbrances	<u>36,908</u>	<u>47,778</u>	<u>0</u>	<u>0</u>
GAAP basis	<u>\$ 932,975</u>	<u>\$(179,723)</u>	<u>\$ 0</u>	<u>\$ 12,356</u>

17. CONTINGENCIES

A. Grants

The School District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is involved in no material litigation as either plaintiff or defendant.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

17. CONTINGENCIES (Continued)

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received total foundation support of \$3,273,465 for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

18. STATUTORY RESERVES

The School District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$179,792
Current year set-aside requirement	262,210	262,210	131,105
Current year offsets	(38,711)	0	0
Qualifying disbursements	<u>(262,210)</u>	<u>(261,896)</u>	<u>0</u>
Total	<u>\$ (38,711)</u>	<u>\$ 314</u>	<u>\$ 310,897</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 314</u>	<u>\$ 310,897</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. STATUTORY RESERVES (Continued)

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	\$ 310,897
Amount restricted for capital acquisition	<u> 314</u>
Total restricted assets	<u>\$ 311,211</u>

19. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as fiscal year 1999.

The School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets accounting and educational statistics reporting.

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, the State of Ohio Equipment Inventory System for its fixed assets accounting and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.
- The equipment inventory and vehicle inventory system software supported with the OECN State Software is compliant with the Year 2000 beginning with the March 1999 release of SAS V2.0.
- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

Harrison, Carroll and Jefferson Counties collect property taxes for distribution to the School District. Harrison, Carroll and Jefferson Counties are responsible for remediating their respective tax collection system.

The State of Ohio distributes a substantial sum of money to the School District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

19. YEAR 2000 ISSUE (Continued)

To the best of management's knowledge and belief, as of January 5, 2000, the District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED June 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU-99	10.550	\$0	\$34,935	\$0	\$45,006
National School Lunch Program	04-PU-99	10.555	199,288	0	199,288	0
National School Breakfast Program	05-PU-99	10.553	58,764	0	58,764	0
Special Milk Program	02-PU-99	10.556	1,322	0	1,322	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>259,374</u>	<u>34,935</u>	<u>259,374</u>	<u>45,006</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States						
Title VI-B Flow Through	6B-SF-98	84.027	0	0	38,469	0
	6B-SF-99		139,784	0	116,062	0
Special Education - Preschool Grant	PG-S1-98	84.173	0	0	8,548	0
			14,196	0	11,652	0
Total Special Education Cluster			<u>153,980</u>		<u>174,731</u>	
Goals 2000 Grant	G2-S1-97	84.276	4,750	0	8,001	0
			0	0	0	0
Total Goals 2000 Grant			<u>4,750</u>	<u>0</u>	<u>8,001</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-98	84.010	67,000	0	170,298	0
	C1-S1-98C		13,161	0	69,871	0
	C1-S1-99		599,721	0	454,238	0
Total Title I			<u>679,882</u>	<u>0</u>	<u>694,407</u>	<u>0</u>
Innovative Educational Program Strategies						
	C2-S1-98	84.298	0	0	3,637	0
	C2-S1-99		10,174	0	9,487	0
Total Innovative Educational Programs			<u>10,174</u>	<u>0</u>	<u>13,124</u>	<u>0</u>
Drug-Free Schools Grant						
	DR-S1-98	84.186	0	0	2,250	0
	DR-S1-99		14,492	0	13,913	0
Total Drug Free School Grant			<u>14,492</u>	<u>0</u>	<u>16,163</u>	<u>0</u>
Title II - Dwight D. Eisenhower Professional Development Program						
	MS-S1-98	84.281	0	0	8,200	0
	MS-S1-98C		0	0	6,718	0
	MS-S1-99		17,495	0	0	0
Total Title II			<u>17,495</u>	<u>0</u>	<u>14,918</u>	<u>0</u>
Adult Education State Administered Basic Grant Program						
	AB-S1-98	84.002	0	0	6,610	0
	AB-S1-98C		0	0	8,612	0
	AB-S1-99		50,323	0	35,949	0
Total Adult Basic Education			<u>50,323</u>	<u>0</u>	<u>51,171</u>	<u>0</u>
U.S. DEPARTMENT OF EDUCATION E-Rate Grant						
	n/a	n/a	1,743	0	1,743	0
Total Department of Education			<u>932,839</u>	<u>0</u>	<u>974,258</u>	<u>0</u>
Totals			<u>\$1,192,213</u>	<u>\$34,935</u>	<u>\$1,233,632</u>	<u>\$45,006</u>

The notes to this schedule of Federal awards receipts and expenditures is an integral part of this statement.

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 1999**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

B. FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Edison Local School District
Jefferson County
P.O. Box 158
Hammondsville, Ohio 43930

To the Board of Education:

We have audited the financial statements of Edison Local School District, Jefferson County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 5, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of the District in a separate letter dated January 5, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated January 5, 2000.

Edison Local School District
Jefferson County
Report of Independent Accountants on Compliance and on
Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM RETRO
Auditor of State

January 5, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Edison Local School District
Jefferson County
P.O. Box 158
Hammondsville, Ohio 43930

To the Board of Education:

Compliance

We have audited the compliance of Edison Local School District, Jefferson County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM RETRO
Auditor of State

January 5, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion.	UNQUALIFIED
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level. (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level. (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion.	UNQUALIFIED
(d)(1)(vi)	Are there any reportable findings under § .510?	NO
(d)(1)(vii)	Major Programs (list): Title I	CFDA#84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	A>\$300,000 B-ALL REMAINING PROGRAMS
(d)(1)(ix)	Low Risk Auditee?	YES

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

<i>Finding Number</i>	
NONE	

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

<i>Finding Number</i>	
NONE	



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EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: _____

Susan Babbitt

Clerk of the Bureau

Date: _____

FEB 08 2000