



**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 1999	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Similar Fiduciary Fund For the Fiscal Year Ended June 30, 1999	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Fund - For the Fiscal Year Ended June 30, 1999	7
Combined Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Fund Type - For the Fiscal Year Ended June 30, 1999	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type For the Fiscal Year Ended June 30, 1999	11
Combined Statement of Cash Flows - Proprietary Fund Type For the Fiscal Year Ended June 30, 1999	12
Notes to the General-Purpose Financial Statements	13
Schedule of Federal Awards Expenditures	35
Notes to the Schedule of Federal Awards Expenditures	36
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	37
Report Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	39
Schedule of Findings	41
Schedule of Prior Audit Findings	44



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REPORT OF INDEPENDENT ACCOUNTANTS

Elida Local School District
Allen County
4380 Sunnydale Road
Elida, Ohio 45807

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Elida Local School District, Allen 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose 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 Elida Local School District, Allen County, 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 February 8, 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 federal awards 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

February 8, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash and Cash Equivalents	\$883,048	\$304,005	\$248,558	\$1,000,351
Receivables:				
Taxes	6,499,134	-	203,227	199,356
Accounts	12,509	-	-	-
Accrued Interest	10,961	373	-	-
Intergovernmental	-	-	-	-
Due from Other Funds	214,315	-	-	-
Advance to Other Funds	55,000	-	-	-
Prepaid Items	19,297	-	-	-
Inventory	-	-	-	-
Inventory Held for Resale	-	-	-	-
Restricted Cash and Cash Equivalents	53,372	-	-	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	-	-	-	-
Amount Available in Debt Service Fund	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-	-
Total Assets and Other Debits	\$7,747,636	\$304,378	\$451,785	\$1,199,707
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$13,276	\$13,888	\$ -	\$ -
Intergovernmental Payable	169,116	5,139	-	-
Accrued Salaries and Benefits	1,383,901	36,826	-	-
Due to Other Funds	-	-	-	214,315
Advance from Other Funds	-	-	-	55,000
Due to Students	-	-	-	-
Note Payable	-	-	-	-
Bonds Payable	-	-	-	-
Compensated Absences Payable	23,501	-	-	-
Deferred Revenue	6,028,121	-	203,227	199,356
Total Liabilities	7,617,915	55,853	203,227	468,671
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings	-	-	-	-
Fund Balance:				
Reserved for Advances	55,000	-	-	-
Reserved for Encumbrances	194,738	53,886	-	822,807
Reserved for Prepaid Items	19,297	-	-	-
Reserved for Debt Service	-	-	248,558	-
Reserved for Property Taxes	471,013	-	-	-
Reserved for Budget Stabilization	53,372	-	-	-
Unreserved	(663,699)	194,639	-	(91,771)
Total Fund Equity and Other Credits	129,721	248,525	248,558	731,036
Total Liabilities, Fund Equity and Other Credits	\$7,747,636	\$304,378	\$451,785	\$1,199,707

The accompanying notes are an integral part of the financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$166,131	\$68,910	\$ -	\$ -	\$2,671,003
-	-	-	-	6,901,717
22,367	-	-	-	34,876
341	206	-	-	11,881
26,687	-	-	-	26,687
-	-	-	-	214,315
-	-	-	-	55,000
-	-	-	-	19,297
2,899	-	-	-	2,899
28,801	-	-	-	28,801
-	-	-	-	53,372
69,400	-	20,511,839	-	20,581,239
-	-	-	248,558	248,558
-	-	-	2,846,753	2,846,753
\$316,626	\$69,116	\$20,511,839	\$3,095,311	\$33,696,398
\$4,528	\$100	\$ -	\$ -	\$31,792
36,685	-	-	107,142	318,082
59,750	-	-	-	1,480,477
-	-	-	-	214,315
-	-	-	-	55,000
-	59,243	-	-	59,243
-	-	-	764,180	764,180
-	-	-	1,414,000	1,414,000
26,658	-	-	809,989	860,148
17,138	-	-	-	6,447,842
144,759	59,343	-	3,095,311	11,645,079
-	-	20,511,839	-	20,511,839
171,867	-	-	-	171,867
-	-	-	-	55,000
-	-	-	-	1,071,431
-	-	-	-	19,297
-	-	-	-	248,558
-	-	-	-	471,013
-	-	-	-	53,372
-	9,773	-	-	(551,058)
171,867	9,773	20,511,839	-	22,051,319
\$316,626	\$69,116	\$20,511,839	\$3,095,311	\$33,696,398

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$6,161,037	\$ -	\$223,897	\$196,467	\$ -	\$6,581,401
Tuition and Fees	124,522	-	-	-	-	124,522
Intergovernmental	6,602,333	695,138	23,674	311,355	-	7,632,500
Interest	228,751	3,828	-	-	413	232,992
Extracurricular Activities	-	185,198	-	-	-	185,198
Rent	15,485	-	-	-	-	15,485
Customer Services	-	5,502	-	-	162	5,664
Gifts and Donations	-	27,307	-	-	517	27,824
Miscellaneous	27,861	21,299	-	-	-	49,160
Total Revenues	13,159,989	938,272	247,571	507,822	1,092	14,854,746
Expenditures:						
Current:						
Instruction:						
Regular	7,100,422	359,877	-	212,650	-	7,672,949
Special	1,074,527	156,887	-	-	-	1,231,414
Vocational	114,480	25,309	-	-	-	139,789
Adult/Continuing	-	20,799	-	2,400	-	23,199
Support Services:						
Pupils	431,477	65,282	-	-	-	496,759
Instruction	346,418	26,463	-	-	-	372,881
Board of Education	14,872	-	-	-	-	14,872
Administration	1,172,954	90,652	-	-	-	1,263,606
Fiscal	324,921	-	2,554	2,210	-	329,685
Business	-	46,938	-	-	-	46,938
Operation and Maintenance	1,335,339	-	-	126,266	-	1,461,605
Transportation	906,341	2,000	-	-	-	908,341
Central Services	2,837	16,297	-	-	-	19,134
Non-Instructional Services	20,830	20,439	-	-	1,000	42,269
Extracurricular Activities	324,242	109,123	-	-	-	433,365
Capital Outlay						
Capital Outlay	1,002,938	-	-	775,507	-	1,778,445
Debt Service:						
Principal	40,000	-	200,000	-	-	240,000
Interest	11,443	-	91,000	-	-	102,443
Total Expenditures	14,224,041	940,066	293,554	1,119,033	1,000	16,577,694
Excess of Revenues Over (Under) Expenditures	(1,064,052)	(1,794)	(45,983)	(611,211)	92	(1,722,948)
Other Financing Sources (Uses):						
Transfers In	-	658	-	650,000	-	650,658
Proceeds from Long-Term Notes	-	-	-	764,180	-	764,180
Proceeds from Sales of Fixed Assets	17,375	-	-	-	-	17,375
Transfers Out	(650,000)	(199)	-	-	(459)	(650,658)
Total Other Financing Sources (Uses)	(632,625)	459	-	1,414,180	(459)	781,555
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,696,677)	(1,335)	(45,983)	802,969	(367)	(941,393)
Fund Balances at Beginning of Year - Restated	1,826,398	249,860	294,541	(71,933)	10,140	2,309,006
Fund Balances at End of Year	\$129,721	\$248,525	\$248,558	\$731,036	\$9,773	\$1,367,613

The accompanying notes are an integral part of the financial statements.

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

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$5,902,309	\$6,135,574	\$233,265	\$ -	\$ -	\$ -
Tuition and Fees	124,334	122,306	(2,028)	-	-	-
Intergovernmental	6,711,893	6,605,454	(106,439)	1,048,407	695,138	(353,269)
Interest	247,610	240,802	(6,808)	3,263	3,669	406
Rent	14,059	15,635	1,576	-	-	-
Extracurricular Activities	-	-	-	186,490	185,298	(1,192)
Gifts and Donations	-	-	-	16,876	27,307	10,431
Customer Services	-	-	-	4,723	5,502	779
Miscellaneous	20,310	22,956	2,646	23,788	21,299	(2,489)
Total Revenues	13,020,515	13,142,727	122,212	1,283,547	938,213	(345,334)
Expenditures:						
Current:						
Instruction:						
Regular	7,202,179	7,140,940	61,239	607,989	510,035	97,954
Special	1,110,776	1,069,595	41,181	216,939	156,616	60,323
Vocational	116,980	114,435	2,545	28,196	25,405	2,791
Adult/Continuing	-	-	-	49,497	24,749	24,748
Support Services:						
Pupils	440,880	432,153	8,727	85,400	64,906	20,494
Instruction	356,814	344,600	12,214	31,250	26,189	5,061
Board of Education	22,542	14,684	7,858	-	-	-
Administration	1,239,298	1,166,045	73,253	96,302	90,156	6,146
Fiscal	353,595	325,857	27,738	-	-	-
Business	-	-	-	92,214	48,577	43,637
Operation and Maintenance	1,517,914	1,464,195	53,719	-	-	-
Transportation	956,797	904,114	52,683	9,881	2,000	7,881
Central Services	2,855	2,816	39	24,146	16,539	7,607
Non-Instructional Services	55,815	31,979	23,836	23,336	20,439	2,897
Extracurricular Activities	326,596	325,088	1,508	176,548	133,282	43,266
Capital Outlay	1,100,290	1,074,878	25,412	-	-	-
Debt Service:						
Principal	40,000	40,000	-	-	-	-
Interest	12,000	11,443	557	-	-	-
Total Expenditures	14,855,331	14,462,822	392,509	1,441,698	1,118,893	322,805
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,834,816)	(1,320,095)	514,721	(158,151)	(180,680)	(22,529)
Other Financing Sources (Uses):						
Advances In	252,525	250,702	(1,823)	121,886	121,886	-
Transfers In	32,819	-	(32,819)	658	658	-
Proceeds from Sale of Long Term Notes	-	-	-	-	-	-
Proceeds from Sale of Fixed Assets	17,820	17,375	(445)	-	-	-
Refund of Prior Year Expenditures	1,992	11,978	9,986	-	1,055	1,055
Transfers Out	(660,686)	(650,198)	10,488	-	-	-
Advances Out	(340,500)	(333,701)	6,799	(143,202)	(143,202)	-
Total Other Financing Sources (Uses)	(696,030)	(703,844)	(7,814)	(20,658)	(19,603)	1,055
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,530,846)	(2,023,939)	506,907	(178,809)	(200,283)	(21,474)
Fund Balances at Beginning of Year	2,364,760	2,364,760	-	259,841	259,841	-
Prior Year Encumbrances Appropriated	366,444	366,444	-	173,394	173,394	-
Fund Balances at End of Year	\$200,358	\$707,265	\$506,907	\$254,426	\$232,952	(\$21,474)

The accompanying notes are an integral part of the financial statements.

(Continued)

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

(Continued)

	Governmental Fund Types					
	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$217,165	\$223,896	\$6,731	\$188,126	\$196,468	\$8,342
Tuition and Fees	-	-	-	-	-	-
Intergovernmental	23,700	23,674	(26)	312,555	311,355	(1,200)
Interest	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Extracurricular Activities	-	-	-	-	-	-
Gifts and Donations	-	-	-	-	-	-
Customer Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	240,865	247,570	6,705	500,681	507,823	7,142
Expenditures:						
Current:						
Instruction:						
Regular	-	-	-	290,319	212,650	77,669
Special	-	-	-	-	-	-
Vocational	-	-	-	-	-	-
Adult/Continuing	-	-	-	2,400	2,400	-
Support Services:						
Pupils	-	-	-	-	-	-
Instruction	-	-	-	-	-	-
Board of Education	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Fiscal	4,587	2,554	2,033	2,637	2,210	427
Business	-	-	-	-	-	-
Operation and Maintenance	-	-	-	204,532	203,635	897
Transportation	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Non-Instructional Services	-	-	-	-	-	-
Extracurricular Activities	-	-	-	-	-	-
Capital Outlay	-	-	-	1,605,511	1,573,855	31,656
Debt Service:						
Principal	200,000	200,000	-	-	-	-
Interest	94,500	91,000	3,500	-	-	-
Total Expenditures	299,087	293,554	5,533	2,105,399	1,994,750	110,649
Excess (Deficiency) of Revenues Over (Under) Expenditures	(58,222)	(45,984)	12,238	(1,604,718)	(1,486,927)	117,791
Other Financing Sources (Uses):						
Advances In	-	-	-	159,315	159,315	-
Transfers In	-	-	-	650,000	650,000	-
Proceeds from Sale of Long Term Notes	-	-	-	764,180	764,180	-
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-
Refund of Prior Year Expenditures	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Advances Out	-	-	-	(55,000)	(55,000)	-
Total Other Financing Sources (Uses)	-	-	-	1,518,495	1,518,495	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(58,222)	(45,984)	12,238	(86,223)	31,568	117,791
Fund Balances at Beginning of Year	294,541	294,541	-	23,711	23,711	-
Prior Year Encumbrances Appropriated	-	-	-	69,356	69,356	-
Fund Balances at End of Year	\$236,319	\$248,557	\$12,238	\$6,844	\$124,635	\$117,791

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Type		
Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
218	420	202
-	-	-
1,250	518	(732)
60	162	102
-	-	-
1,528	1,100	(428)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,296	1,000	296
-	-	-
-	-	-
-	-	-
1,296	1,000	296
232	100	(132)
-	-	-
-	-	-
-	-	-
-	-	-
(460)	(460)	-
-	-	-
(460)	(460)	-
(228)	(360)	(132)
10,102	10,102	-
-	-	-
\$9,874	\$9,742	(\$132)

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type Enterprise</u>
Operating Revenues:	
Sales	\$654,850
Miscellaneous	421
	655,271
Operating Expenses:	
Salaries	308,480
Fringe Benefits	142,395
Purchased Services	3,752
Materials and Supplies	469,952
Depreciation	12,976
Capital Outlay	7,861
Cost of Sales	1,105
	946,521
Total Operating Expenses	946,521
Operating Loss	(291,250)
Non-Operating Revenues (Expenses):	
Interest	4,699
Operating Grants	198,314
Federal Donated Commodities	67,284
	270,297
Total Non-Operating Revenues and (Expenses)	270,297
Net Loss	(20,953)
Retained Earnings at Beginning of Year	192,820
Retained Earnings at End of Year	\$171,867

The accompanying notes are an integral part of the financial statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type Enterprise Funds		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$710,886	\$665,179	(\$45,707)
Federal and State Subsidies	174,700	171,628	(3,072)
Interest	5,000	4,699	(301)
Miscellaneous	550	675	125
Total Revenues	891,136	842,181	(48,955)
Expenses:			
Salaries	309,203	309,162	41
Fringe Benefits	131,045	130,603	442
Purchased Services	4,007	3,752	255
Materials and Supplies	450,931	411,577	39,354
Capital Outlay	10,751	9,661	1,090
Total Expenses	905,937	864,755	41,182
Excess (Deficiency) of Revenues Over (Under) Expenses	(14,801)	(22,574)	(7,773)
Other Financing Sources (Uses):			
Advances In	52,000	52,000	-
Advances Out	(56,000)	(52,000)	4,000
Total Other Financing Sources (Uses)	(4,000)	-	4,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(18,801)	(22,574)	(3,773)
Fund Balance Beginning of Year	186,381	186,381	-
Prior Year Encumbrances Appropriated	193	193	-
Fund Balance End of Year	<u>\$167,773</u>	<u>\$164,000</u>	<u>(\$3,773)</u>

The accompanying notes are an integral part of the financial statements.

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type Enterprise</u>
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$665,854
Cash Payments to Suppliers for Goods and Services	(414,676)
Cash Payments to Employees for Services	(309,162)
Cash Payments for Employee Benefits	<u>(130,603)</u>
Net Cash Provided by (Used for) Operating Activities	(188,587)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	171,628
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(8,183)
Cash Flows from Investing Activities:	
Cash Received from Interest	4,699
Net Increase (Decrease) in Cash and Cash Equivalents	(20,443)
Cash and Cash Equivalents at Beginning of Year	<u>186,574</u>
Cash and Cash Equivalents at End of Year	<u><u>\$166,131</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	(\$291,250)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	12,976
Donated Commodities Used During Year	67,284
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	10,330
(Increase)/Decrease in Accrued Interest	254
(Increase)/Decrease in Commodities Inventory	15,239
Increase/(Decrease) in Accounts Payable	3,920
Increase/(Decrease) in Intergovernmental Payable	6,106
Increase/(Decrease) in Deferred Revenue	(15,734)
Increase/(Decrease) in Compensated Absences Payable	468
Increase/(Decrease) in Accrued Wages	<u>1,820</u>
Total Adjustments	<u>102,663</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$188,587)</u></u>

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Elida Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is located in a prosperous community within Allen County, consisting of residences and significant office and retail commercial development. The District is the 184th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 104 non-certificated employees, 172 certificated full-time teaching personnel and 12 administrative employees who provide services to 2,744 students and other community members. The District currently operates three instructional buildings, one administrative building, and one garage.

Reporting Entity:

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with four jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, the West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program and the Allen County Schools Health Benefit Insurance Plan. These organizations are presented in Notes 20 and 21 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 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 District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The 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 District functions or activities.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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

Governmental Fund Types:

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

General Fund - The General Fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service 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 Fund - The capital projects fund is 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 or trust funds).

Proprietary Fund Types:

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

Enterprise Funds - Enterprise funds are used to account for 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.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency and an expendable trust fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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 District, other than those accounted for in the enterprise or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the enterprise or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 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 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 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 financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, agency, and the 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 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: property taxes available as an advance, interest, interfund, tuition, grants, and student fees.

The 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
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. 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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Allen County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations: (Continued)

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, 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 at any level of control. 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. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to STAROhio and non-negotiable certificates of deposit. Non-negotiable 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. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$228,751 which includes \$26,439 assigned from other Districts funds. The special revenue, expendable trust, and enterprise funds also received interest in the amount of \$3,828, \$413, and \$4,699.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

For purposes of the Combined Statement of Cash Flows and for presentation of 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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of enterprise funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues required to be set-aside to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Instructional Textbook Subsidy
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- School Net Professional Development Grant
- Conflict Management
- Eisenhower
- Technology Literacy Challenge Fund Grant
- Learn and Serve America
- Continuous Improvement Development
- Local Professional Development Block Grant

Capital Projects Fund

- SchoolNet Plus
- Power Up Technology

Reimbursable Grants

General Fund

- Driver Education

Enterprise Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 51 percent of the District's governmental operating revenue during the 1999 fiscal year.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and 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, compensated absences and contractually required pension contributions 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. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The District reserves those 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, prepaid items, debt service, budget stabilization, advances, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represent money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies the legal restrictions on the use of principal.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 1999, the District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through Ohio Public Employees Deferred Compensation. On September 1, 1998, Ohio Public Employees Deferred Compensation created a trust for the assets of the plan for which the District has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees Deferred Compensation Plan is no longer presented in the District's financial statements.

NOTE 4 - ACCOUNTABILITY

Fund Deficits

At June 30, 1999, the following special revenue funds had a deficit fund balance:

Fund Name	Deficit Fund Balance Amount
Venture Capital Grant	\$507
Teacher Development Block Grant	10,510
Gifted Education Grant	3,482
Management Information System	4,362
Disadvantage Pupil Impact Aid	80
Miscellaneous State Grants	6,305
Title VIB - Special Education of the Handicapped Children	13,058
Title I	49,821
Education Innovation Initiative	5,400
Drug Free Grant	353

The deficit fund balances were created by the application of generally accepted accounting principles. The General fund is liable for any deficit in these funds and provides operating transfers when cash is required, and not when accruals occur.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - RESTATEMENT DUE TO PRIOR PERIOD ADJUSTMENTS

The fund balances of the General and Internal Service Funds have been restated due to the reclassification of the Rotary Fund and Library Fund from an Internal Service Fund Type to the General Fund.

Fund Type / Fund	Balance at 6/30/98	Reclassification	Balance at 7/1/98
Governmental Funds:			
General Fund	\$1,825,896	\$502	\$1,826,398
Proprietary Funds			
Internal Service	502	(502)	0

The effect of these changes on the excess of revenues and other financing sources over/(under) expenditures and other uses/net loss as previously reported for the year ended June 30, 1998, is as follows:

	General Fund	Internal Service Fund
Excess previously reported	\$(11,898)	\$(1,593)
Reclassification of Rotary and Library Funds	<u>(1,593)</u>	<u>1,593</u>
Restated Amounts for 6/30/98	<u><u>\$(13,491)</u></u>	<u><u>\$ 0</u></u>

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund type (GAAP basis).
4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$1,696,677)	(\$1,335)	(\$45,983)	\$802,969	(\$367)
Revenue Accruals	245,418	122,882	0	159,316	8
Expenditure Accruals	(343,525)	(250,777)	0	(55,001)	(1)
Encumbrances Outstanding (Budget Basis)	(229,155)	(71,053)	0	(875,716)	0
Budget Basis	<u>(\$2,023,939)</u>	<u>(\$200,283)</u>	<u>(\$45,983)</u>	<u>\$31,568</u>	<u>(\$360)</u>

**Excess Loss/Deficiency of Revenues and Other
Financing Sources Under Expenses and Other
Financing Uses
Proprietary Fund Type**

	Enterprise
GAAP Basis	(\$20,953)
Revenue Accrual	(16,103)
Expense Accrual	1,375
Change in Inventory Held for Resale	15,239
Encumbrances Outstanding At Year End	(2,132)
Budget Basis	<u>(\$22,574)</u>

NOTE 7 - DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that the Board 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 moneys. Interim moneys are those moneys 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 or deposit accounts including pass book accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 7 - DEPOSITS AND INVESTMENTS (Continued)

Interim moneys 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 and 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 marking association. All federal agency services 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, or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
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; and,
6. The State Treasurer's investment pool (STAR Ohio).

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 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.

Cash on Hand: At fiscal year end, the District had \$460 in undeposited cash on hand which is included on the Combined Balance Sheet of the District as part of "Cash and Cash Equivalents."

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

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$484,483 and the bank balance was \$981,835. Of the bank balance \$204,625 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement would potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 7 - DEPOSITS AND INVESTMENTS (Continued)

At year end, the District's only investment was in STAROhio and had a fair value of \$2,239,432. STAROhio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

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, "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 financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 2,724,375	\$ 0
Cash on Hand	(460)	
Investments of the Cash		
Cash Management Pool:		
STAROhio	(2,239,432)	2,239,432
GASB Statement 3	\$ 484,483	\$2,239,432

NOTE 8 - 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 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 thirty-five 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 eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five 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 twenty-five percent of true value.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$224,153,330	82.29%	\$227,586,050	82.41%
Public Utility	12,515,560	4.60%	12,196,810	13.17%
Tangible Personal Property	35,716,601	13.11%	36,386,834	4.42%
Total Assessed Value	\$272,385,491	100.00%	\$276,169,694	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.46		\$30.92	

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 - PROPERTY TAXES (Continued)

The decrease in the tax rate is the result of a decrease in the emergency and bond millage rates due to a reappraisal year and the resulting increases in property valuations, which would require the millage to be reduced in order to generate the required amount of revenue.

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 District receives property taxes from Allen County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County 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 represent 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 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 at June 30, 1999 was \$471,013 in the general fund. The amount available as an advance at June 30, 1998 was \$445,550 and was recognized as revenue in the general fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services and student fees), accrued interest, and intergovernmental grants. 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.

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$405,047
Less Accumulated Depreciation	<u>(335,647)</u>
Net Fixed Assets	<u><u>\$69,400</u></u>

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land	\$263,375	\$0	\$0	\$263,375
Buildings	11,514,734	1,736,465	0	13,251,199
Furniture, Fixtures and Equipment	4,989,837	608,532	144,094	5,454,275
Vehicles	<u>1,467,229</u>	<u>170,096</u>	<u>94,335</u>	<u>1,542,990</u>
Totals	<u><u>\$18,235,175</u></u>	<u><u>\$2,515,093</u></u>	<u><u>\$238,429</u></u>	<u><u>\$20,511,839</u></u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with Nationwide Insurance for property, general liability, and boiler and machinery insurance.

Professional liability is insured by Nationwide Insurance Company with \$2,000,000 for each occurrence, and \$5,000,000 aggregated limit, plus an additional \$2,000,000 is covered under another commercial umbrella liability policy. Automobile liability has a \$2,000,000 combined single limit of liability.

Public officials bond insurance is provided by the Nationwide and Buckeye Insurance Companies for a total of \$140,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 21). The Program is intended to reduce premiums for the participants. 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 Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

C. Health Insurance

The District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County (Note 21). The District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement benefits and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$147,265, \$163,091, and \$177,998, respectively; 30.71 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$102,286 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 District participates in 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 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.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$424,469, \$729,249, and \$814,799, respectively; 87.81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$51,722 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount equaled \$565,958 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. 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. For the District, the amount to fund health care benefits, including surcharge, equaled \$159,081 during the 1999 fiscal year.

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. Expense for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees on an annualized basis. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Health Care Benefits

The District provides health insurance to most employees through the Health Benefit Plan disclosed in Note 21. Dental insurance is provided by the District to most employees through the Plan which is administered by CoreSource. Life insurance is also provided through CoreSource.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 15 - OPERATING LEASES

The District is obligated under various operating lease agreements with Xerox for copiers. These agreements do not give rise to property rights and are not reflected in the District's account group. The future rental payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amounts</u>
2000	\$ 7,053
2001	4,936
2002	3,877
2003	<u>646</u>
Total	<u><u>\$16,512</u></u>

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 1999 were as follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
General Obligation Bonds -7% School Building Construction	\$1,400,000	\$0	\$200,000	\$1,200,000
Energy Conservation Bonds - 5.35% School Building Construction	109,000	0	19,000	90,000
Energy Conservation Bonds - 4.55% School Building Construction	145,000	0	21,000	124,000
Energy Conservation Notes - 4.65% School Building Construction	<u>0</u>	<u>764,180</u>	<u>0</u>	<u>764,180</u>
Total Long Term Bonds and Notes	\$1,654,000	\$764,180	\$240,000	\$2,178,180
Intergovernmental Payable	121,535	107,142	121,535	107,142
Compensated Absences	<u>789,714</u>	<u>20,275</u>	<u>0</u>	<u>809,989</u>
Total General Long-Term Obligations	<u><u>\$2,565,249</u></u>	<u><u>\$891,597</u></u>	<u><u>\$361,535</u></u>	<u><u>\$3,095,311</u></u>

General obligation bonds issued February 1, 1980, with an interest rate of 7% will be paid from the debt service fund. Energy Conservation Bonds for school building construction dated September 8, 1992 and July 1, 1993, with interest rates of 5.35% and 4.55% respectively will be paid from the General Fund.

Energy Conservation notes were issued on July 15, 1998, for \$764,180 for the purpose of the improvement and renovation of buildings. The notes were issued for a fifteen year period with the final maturity of during fiscal year 2014. The loan will be retired from the general fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 1999, are as follows:

Fiscal Year Ended	Principal	Interest	Amount
2000	\$278,374	\$121,955	\$400,329
2001	283,065	104,116	387,181
2002	287,835	86,052	373,887
2003	292,688	67,755	360,443
2004	271,626	49,919	321,545
2005-2009	450,513	116,029	566,542
2010-2014	314,079	45,109	359,188
Total	<u>\$2,178,180</u>	<u>\$590,935</u>	<u>\$2,769,115</u>

The School District's overall legal debt margin was \$23,655,272 with an unvoted debt margin of \$276,170 at June 30, 1999.

NOTE 17 - RESERVATIONS OF FUND BALANCE

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$53,372	\$53,372
Current Year Set-aside Requirement	219,685	219,685	0	439,370
Current Year Offsets	(46,008)	(960,648)	0	(1,006,656)
Qualifying Disbursements	(268,631)	(956,368)	0	(1,224,999)
Total	<u>(\$94,954)</u>	<u>(\$1,697,331)</u>	<u>\$53,372</u>	<u>(\$1,738,913)</u>
Cash Balance Carried Forward to Fiscal Year 2000	<u>\$0</u>	<u>\$0</u>	<u>\$53,372</u>	<u>53,372</u>
Total Restricted Assets				<u>\$53,372</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to 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
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 18 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Due</u>		<u>Advance</u>	
	<u>To</u>	<u>From</u>	<u>To</u>	<u>From</u>
General Fund	\$214,315	\$0	\$55,000	\$0
Capital Projects Fund:				
Scrap Tire Grant		159,315		
Permanent Improvement	0	55,000		55,000
Total All Funds	<u>\$214,315</u>	<u>\$214,315</u>	<u>\$55,000</u>	<u>\$55,000</u>

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Elida Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$569,370	\$85,901	\$655,271
Operating Expenses			
Less Depreciation	832,094	101,451	933,545
Depreciation Expense	12,976	0	12,976
Operating Loss	(275,700)	(15,550)	(291,250)
Donated Commodities	67,284	0	67,284
Operating Grants	198,314	0	198,314
Net Loss	(5,403)	(15,550)	(20,953)
Fixed Assets Additions	8,183	0	8,183
Net Working Capital	28,385	74,082	102,467
Total Assets	239,729	76,897	316,626
Total Equity	97,785	74,082	171,867
Encumbrances Outstanding at June 30, 1999 (Budget Basis)	2,100	32	2,132

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

West Central Ohio Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

NOTE 21 - INSURANCE PURCHASING POOLS

Allen County Schools Health Benefit Plan - The District participates in the Allen County Schools Health Benefit Plan (the Program), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, CoreSource, concerning aspects of the administration of the Trust. Each school district decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program
The District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 22 - SCHOOL FUNDING

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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$4,592,145 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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 District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 24 - CONTRACTUAL COMMITMENTS

As of June 30, 1999, the District had a contractual commitment with Humble Construction for the all weather track facility, asphalt paving and bleachers in the amount of \$633,904.

NOTE 25 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the District at June 30, 1999.

**SCHEDULE OF FEDERAL AWARDS 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 AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution		10.550	\$0	\$51,550	\$0	\$67,284
National School Breakfast Program		10.553	18,202	0	18,202	0
National School Lunch Program		10.555	144,785	0	144,785	0
Total U. S. Department of Agriculture-Nutrition Cluster			162,987	51,550	162,987	67,284
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-99P	84.027	104,232	0	98,201	0
	6B-SF-98P	84.027	21,316	0	28,949	0
Subtotal - Special Education Grants			125,548	0	127,150	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99	84.010	128,814	0	123,916	0
	C1-S1-98	84.010	0	0	29,674	0
	C1-S1-98C	84.010	26,438	0	26,438	0
Subtotal - Title I			155,252	0	180,028	0
Innovative Educational Program Strategies	C2-S1-99	84.298	10,922	0	8,167	0
	C2-S1-98	84.298	(845)	0	2,212	0
	C2-S1-98C	84.298	845	0	845	0
Subtotal - Innovative Educational Program Strategies			10,922	0	11,224	0
Eisenhower Professional Development State Grants	MS-S1-99	84.281	11,230	0	640	0
	MS-S1-98C	84.281	(3,621)	0	1,856	0
	MS-S1-98C	84.281	3,621	0	1,932	0
	MS-S1-97C	84.281	0	0	4,020	0
Subtotal - Eisenhower Grant			11,230	0	8,448	0
Drug Free Schools	DR-S1-99	84.186	15,251	0	15,251	0
Learn and Serve Grant	SV-S4-99	94.004	29,913	0	27,021	0
	SV-S4-98	94.004	0	0	284	0
Subtotal - Learn and Serve Grant			29,913	0	27,305	0
Continuous Improvement	G2S21999	84.276	5,000	0	260	0
Technology Literacy Challenge	TF-S2	84.318	62,500	0	34,361	0
	TF-S2	84.318	100,000	0	100,000	0
	TF-S2	84.318	0	0	139,291	0
Subtotal - Technology Literacy Challenge			162,500	0	273,652	0
Total U.S. Department of Education			515,616	0	643,318	0
U.S. DEPARTMENT OF LABOR						
<i>Passed through Ohio Department of Education:</i>						
School to Work	WK-BE	17.249	10,229	0	10,229	0
Total U.S. Department of Labor			10,229	0	10,229	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$688,832	\$51,550	\$816,534	\$67,284

See accompanying notes to the federal awards expenditures

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures summarizes activity of the District's Federal award programs. The Schedule has been prepared on a cash basis of accounting.

NOTE 2 - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. At June 30, 1999, the District had significant food commodities in inventory.

Cash receipts from the United States Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first.



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

Elida Local School District
Allen County
4380 Sunnydale Road
Elida, Ohio 45807

To the Board of Education:

We have audited the financial statements of Elida Local School District, Allen County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 8, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-10202-001 and 1999-10202-002.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 8, 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 that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated February 8, 2000.

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 PETRO
Auditor of State

February 8, 2000



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

Elida Local School District
Allen County
4380 Sunnydale Road
Elida, Ohio 45807

Compliance

To the Board of Education:

We have audited the compliance of the Elida Local School District, Allen 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 program 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 program 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.

As described in item 1999-10202-003 in the accompanying Schedule of Findings, the District did not comply with requirements regarding equipment management that are applicable to the Technology Literacy Challenge federal program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings as item 1999-10202-003.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above as item 1999-10202-003 is considered to be a material weakness.

This report is intended for the information and use of management, Board of Education, 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 PETRO
Auditor of State

February 8, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(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 material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(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	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA 84.318 - Technology Literacy Challenge
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding 1999-10202-001	Noncompliance
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Ohio Admin. Code Section 117-2-12(B) states that each district shall post to each receipts account the estimated amounts of money anticipated to be received into the account as specified by the budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

Estimated receipts reported on the District's receipts ledger at December 31, 1998 and May 31, 1999, were not updated timely to agree with the amounts on the amendments to the certificate of estimated resources. These amounts were significant to the following funds:

December 1998: The General Fund, Library Fund, Financial Literacy Program Fund, Education Management Information System Fund, Disadvantaged Pupil Impact Fund, SchoolNet Professional Development Grant Fund, and Instructional Material Subsidy Fund.

May 1999: The General Fund, Bond Retirement Fund, Permanent Improvement Fund, Scrap Tire Grant Fund, Trust Fund, Uniform School Supply Fund, Middle School Principal's Fund, Elida Education Foundation Fund, and the Athletic Fund.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

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

Finding 1999-10202-001 (Continued)	Noncompliance
---	----------------------

Without properly recording the approved estimated resources, the review of the estimated amounts used against actual receipts to determine if revenues were within approved estimates would not be accurate and, the amounts used to determine that expenditures and appropriations do not exceed legal requirements would not be based on approved amounts.

The District should record and report the amounts on the amended certificates of estimated resources and use these amounts for determining compliance with Ohio Revised Code budgetary requirements.

Finding 1999-10202-002	Noncompliance
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Ohio Admin. Code Section 117-2-13 (B), states that each district shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolutions.

Amounts posted to the appropriation accounts as reported on the District's appropriation ledger at December 31, 1998 and May 31, 1999, were not updated timely to agree with the amendments to the appropriation resolution. These amounts were significant to the following funds:

December 31, 1998: The General Fund, Bond Retirement Fund, Permanent Improvement Fund, Food Service Fund, Uniform School Supply Fund, High School Principal Trust Fund, Enrichment Program Fund, Middle School Principal Fund, Elida Education Foundation Fund, Athletic Fund, Financial Literacy Fund, Education Management Information System Fund, Title I Fund, Drug Free Schools Fund and Raising the Bar Fund.

May 31, 1999: The General Fund, Permanent Improvement Fund, Scrap Tire Grant Fund, Food Service Fund, Uniform School Supply Fund, High School Principal Trust Fund, Middle School Principal Fund, Gomer Principal Fund, TETAC Grant Fund, Venture Capital Fund, Athletic Fund, Instruction Material Subsidy Fund, Alternative School Grant Fund and Continuous Improvement Development Fund

Without properly recording the appropriation amounts, the review of appropriations against expenditures plus encumbrances would not be accurate or be based on approved amounts.

The District should record and report the amounts on the appropriation resolutions and use these amounts for determining compliance with Ohio Revised Code budgetary requirements.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance/Material Weakness

Finding Number	1999-10202-003
CFDA Title and Number	84.318 - Technology Literacy Challenge
Federal Award Number/Year	TF-S2
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

32 CFR Section 80.32 (d)(1) states that property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. Further, a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

The District does maintain an appraisal report; however, addition and deletion updates for the audit period were not made to the report. The grant budget, for this period, allowed the purchase of computers and equipment in the amount of \$195,000 out of a total budget of \$250,000. Adequate inventory records were not maintained on this equipment to meet the requirements of this section.

The above problems could lead to difficulties in filing insurance claims and misappropriation of property and equipment. This could further result in a possible loss of future federal grant awards.

The District should update the appraisal report for all addition and deletion activity in the audit period. The appraisal report should include, but not limited to, a listing of assets by identifying number or serial number, description of asset, source of property, who holds title, the acquisition date, cost of the property, and the location and condition of the property. Also, the Grant Coordinator should maintain an inventory listing of all equipment purchased with grant funds. Further, a physical inventory observation should be taken and the results reconciled with the property records at least once every two years.

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998
OMB CIRCULAR A -133 § .315 (b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1998-10202-001	Noncompliance/Reportable Condition/ORC 5705.39 Compliance	No	Partially corrected; reissued in management letter
1998-10202-002	Noncompliance/Reportable Condition/ORC 5705.412 Compliance	No	Partially corrected; reissued in management letter



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ELIDA LOCAL SCHOOL DISTRICT

ALLEN 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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2000**