

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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## REPORT OF INDEPENDENT ACCOUNTANTS

Garaway Local School District  
Tuscarawas County  
146 Dover Avenue  
Sugarcreek, Ohio 44681

To the Board of Education:

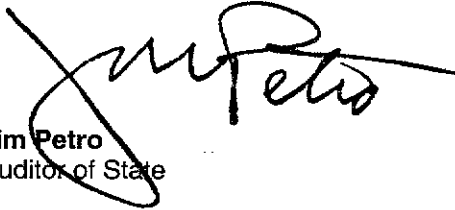
We have audited the accompanying general purpose financial statements of Garaway Local School District, Tuscarawas County, (the District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Garaway Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types 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 December 17, 1999 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.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

**Jim Petro**  
Auditor of State

December 17, 1999

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**GARAWAY LOCAL SCHOOL DISTRICT**  
**TUSCARAWAS COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General	Long-Term Obligations		
								Fixed Assets			
<b>ASSETS AND OTHER DEBITS:</b>											
Equity in pooled cash and cash equivalents . . . . .	\$2,160,660	\$90,552	\$128,514	\$102,976	\$9,452	\$390,277	\$30,591				\$2,522,745
Cash in segregated accounts . . . . .											390,277
Receivables (net of allowances of uncollectibles):											
Property taxes - current & delinquent . . . . .	3,276,284		184,697	183,516							3,644,497
Accounts . . . . .	74										74
Accrued interest . . . . .	8,987										8,987
Intergovernmental receivables . . . . .		7,020			9,572						16,592
Materials and supplies inventory . . . . .					406						406
Inventory held for resale . . . . .					25,466						25,466
Restricted assets:											
Equity in pooled cash and cash equivalents . . . . .	85,034										85,034
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					25,430			\$6,617,695			6,643,125
<b>OTHER DEBITS:</b>											
Amount available in debt service fund . . . . .									\$207,652		207,652
Amount to be provided for retirement of general long-term obligations . . . . .									2,156,935		2,156,935
<b>Total assets and other debits . . . . .</b>	<b>\$5,531,039</b>	<b>\$97,572</b>	<b>\$313,211</b>	<b>\$286,492</b>	<b>\$70,326</b>	<b>\$390,277</b>	<b>\$30,591</b>	<b>\$6,617,695</b>	<b>\$2,364,587</b>		<b>\$15,701,790</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO  
COMBINED BALANCE SHEET (continued)  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General	Long-Term Obligations	
								Fixed Assets		
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>										
<b>LIABILITIES:</b>										
Accounts payable . . . . .	\$19,647	\$10,052			\$150					\$29,849
Accrued wages and benefits . . . . .	586,886	40,185			21,128					648,199
Compensated absences payable . . . . .	9,056				5,642			\$305,564		320,262
Intergovernmental payable . . . . .	100,330	4,762			12,594			55,169		172,855
Undistributed monies . . . . .							\$2,367			2,367
Deferred revenue . . . . .	2,403,181	\$105,559	\$114,108		3,227					2,626,075
Due to students . . . . .							28,224			28,224
Claims payable . . . . .						\$92,970				92,970
General obligation bonds payable . . . . .								1,885,000		1,885,000
Capital lease obligation payable . . . . .								118,854		118,854
<b>Total liabilities . . . . .</b>	<b>3,119,100</b>	<b>54,999</b>	<b>105,559</b>	<b>114,108</b>	<b>42,741</b>	<b>92,970</b>	<b>30,591</b>	<b>2,364,587</b>		<b>5,924,655</b>
<b>EQUITY AND OTHER CREDITS:</b>										
Investment in general fixed assets . . . . .									\$6,617,695	6,617,695
Contributed capital . . . . .					20,123					20,123
Retained earnings:										
unreserved . . . . .					7,462	297,307				304,769
Fund balances:										
Reserved for encumbrances . . . . .	82,752	8,977		2,095						93,824
Reserved for debt service . . . . .		128,514								128,514
Reserved for tax revenue unavailable for appropriation . . . . .	879,610	79,138	69,408							1,028,156
Reserved for budget stabilization . . . . .	85,034									85,034
Unreserved-undesignated . . . . .	1,364,543	33,596		100,881						1,499,020
<b>Total equity and other credits . . . . .</b>	<b>2,411,939</b>	<b>42,573</b>	<b>207,652</b>	<b>172,384</b>	<b>27,585</b>	<b>297,307</b>	<b>30,591</b>	<b>6,617,695</b>		<b>9,777,135</b>
<b>Total liabilities, equity and other credits \$5,531,039</b>									<b>\$6,617,695</b>	<b>\$15,701,790</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**GARAWAY LOCAL SCHOOL DISTRICT**  
**TUSCARAWAS COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$3,091,175		\$250,023	\$156,401	\$3,497,599
Earnings on investments . . . . .	144,144	\$63			144,207
Extracurricular activities . . . . .		103,612			103,612
Contributions and donations . . . . .		31,382			31,382
Other local revenues . . . . .	45,280	107			45,387
Intergovernmental - State . . . . .	2,945,564	43,112	24,659	13,449	3,026,784
Intergovernmental - Federal . . . . .		361,897			361,897
<b>Total revenue . . . . .</b>	<b>6,226,163</b>	<b>540,173</b>	<b>274,682</b>	<b>169,850</b>	<b>7,210,868</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	3,190,755	157,937		79,178	3,427,870
Special . . . . .	410,818	264,963			675,781
Vocational . . . . .	71,536				71,536
Other . . . . .	44				44
Support services:					
Pupil . . . . .	189,600	28,999			218,599
Instructional staff . . . . .	243,210	81,395			324,605
Board of Education . . . . .	10,895				10,895
Administration . . . . .	729,545	1,631	2	2	731,180
Fiscal . . . . .	185,615	2,156	3,918	3,799	195,488
Operations and maintenance . . . . .	571,279	15,000		397	586,676
Pupil transportation . . . . .	374,199			28,070	402,269
Extracurricular activities . . . . .	133,055	87,415			220,470
Facilities acquisition and construction . . . . .	61,895			72,087	133,982
Debt service:					
Principal retirement . . . . .			95,451		95,451
Interest and fiscal charges . . . . .			145,152		145,152
<b>Total expenditures . . . . .</b>	<b>6,172,446</b>	<b>639,496</b>	<b>244,523</b>	<b>183,533</b>	<b>7,239,998</b>
<b>Excess (deficiency) of revenues over (under) expenditures . . . . .</b>	<b>53,717</b>	<b>(99,323)</b>	<b>30,159</b>	<b>(13,683)</b>	<b>(29,130)</b>
Other financing sources (uses):					
Operating transfers in . . . . .		10,000			10,000
Operating transfers out . . . . .	(10,000)				(10,000)
Proceeds from sale of fixed assets . . . . .	1,036				1,036
<b>Total other financing sources (uses) . . . . .</b>	<b>(8,964)</b>	<b>10,000</b>			<b>1,036</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing use</b>	<b>44,753</b>	<b>(89,323)</b>	<b>30,159</b>	<b>(13,683)</b>	<b>(28,094)</b>
Fund balances, July 1 . . . . .	2,367,186	131,896	177,493	186,067	2,862,642
Fund balances, June 30 . . . . .	<u>\$2,411,939</u>	<u>\$42,573</u>	<u>\$207,652</u>	<u>\$172,384</u>	<u>\$2,834,548</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**GARAWAY LOCAL SCHOOL DISTRICT**  
**TUSCARAWAS COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes.....	\$3,187,033	\$3,182,250	(\$4,783)		\$63	\$0		\$238,995	\$238,763	(\$232)	\$150,077	\$149,933	\$3,576,105	\$3,570,946	(\$5,159)
Earnings on investments.....	141,034	143,735	2,701		103,166	446							141,097	143,798	2,701
Extracurricular activities.....					31,281	1,106							103,166	103,612	446
Contributions and donations.....	43,796	45,094	1,298		30,275			24,659	24,659	0	13,447	13,448	74,071	76,385	2,314
Intergovernmental - State.....	2,946,562	2,946,564	2		43,111								3,027,779	3,027,782	3
Intergovernmental - Federal.....					379,033	0							379,033	379,033	0
Total revenues.....	6,318,425	6,317,553	(\$872)	353,648	557,200	1,552		263,654	263,422	(\$232)	163,524	163,381	7,301,251	7,301,556	305
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular.....	3,185,140	3,175,201	9,939	152,828	152,828	0		183,267	183,267	0			3,521,235	3,511,296	9,939
Special.....	444,722	440,527	4,195	263,473	263,473	0							704,000	704,000	4,246
Vocational.....													79,166	78,563	603
Other.....	43	43	0										43	43	0
Support services:															
Pupil.....	189,353	188,817	536	29,536	29,536	272							219,161	218,353	808
Instructional staff.....	248,171	247,610	561	84,329	84,329	0							332,500	331,939	561
Board of Education.....	11,010	10,895	115										11,010	10,895	115
Administration.....	823,036	756,947	66,089	1,665	1,665	0	15	23	2	13	2		826,739	758,616	68,123
Fiscal.....	187,148	184,814	2,334	2,706	2,706	0	4,050	3,918	132	132			197,854	195,237	2,617
Operations and maintenance.....	589,868	584,856	4,639	15,000	15,000	0							604,940	600,253	4,687
Pupil transportation.....	400,070	398,357	1,713										428,140	426,427	1,713
Extracurricular activities.....	133,998	133,813	185	87,636	86,546	1,090							221,634	220,359	1,275
Facilities acquisition & construction.....	61,895	61,895	0										134,091	133,983	108
Debt service:															
Principal retirement.....				95,451	95,451	0							95,451	95,451	0
Interest and fiscal charges.....				145,152	145,152	0							145,152	145,152	0
Total expenditures.....	6,355,298	6,262,338	92,960	637,445	636,083	1,362		244,668	244,523	145	287,951	287,623	7,525,362	7,430,367	94,995
Excess (deficiency) of revenues over (under) expenditures.....	(36,873)	55,215	92,088	(81,797)	(78,883)	2,914		18,986	18,899	(87)	(124,427)	(124,242)	(224,111)	(129,011)	95,100
Other financing sources (uses):															
Refund of prior year's expenditures.....	202	202	0	106	107	1							308	309	1
Operating transfers in.....	(10,000)	(10,000)	0	10,000	10,000	0							10,000	10,000	0
Operating transfers (out).....													(10,000)	(10,000)	0
Advances in.....	1,200	1,200	0										1,200	1,200	0
Proceeds from sale of fixed assets.....	1,032	1,036	4										1,032	1,036	4
Total other financing sources (uses).....	(7,566)	(7,562)	4	10,106	10,107	1							2,340	2,345	5
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(44,439)	47,653	92,092	(71,691)	(68,776)	2,915		18,986	18,899	(87)	(124,427)	(124,242)	(224,111)	(126,466)	95,105
Fund balances, July 1.....	1,955,407	1,955,407	0	121,584	121,584	0		(69,615)	109,615	0	85,057	85,057	2,271,663	2,271,663	0
Prior year encumbrances appropriated.....	142,806	142,806	0	21,758	21,758	0		0	0	0	140,065	140,065	304,629	304,629	0
Fund balances, June 30.....	\$2,053,774	\$2,145,866	\$92,092	\$71,651	\$74,566	\$2,915		\$128,601	\$128,514	(\$87)	\$100,695	\$100,880	\$2,334,721	\$2,449,826	\$95,105

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**GARAWAY LOCAL SCHOOL DISTRICT**  
**TUSCARAWAS COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees . . . . .	\$32,575		\$32,575
Sales/charges for services. . . . .	185,101	\$545,001	730,102
 Total operating revenues. . . . .	 <u>217,676</u>	 <u>545,001</u>	 <u>762,677</u>
Operating expenses:			
Personal services . . . . .	159,797		159,797
Contract services . . . . .	7,517	111,152	118,669
Materials and supplies. . . . .	150,790		150,790
Depreciation. . . . .	1,513		1,513
Other . . . . .	1,436		1,436
Claims expense . . . . .		534,041	534,041
 Total operating expenses . . . . .	 <u>321,053</u>	 <u>645,193</u>	 <u>966,246</u>
Operating loss . . . . .	<u>(103,377)</u>	<u>(100,192)</u>	<u>(203,569)</u>
Nonoperating revenues (expenses):			
Operating grants . . . . .	82,701		82,701
Federal commodities. . . . .	32,835		32,835
Interest revenue . . . . .	49	11,816	11,865
Loss on sale of assets . . . . .	(96)		(96)
Miscellaneous . . . . .	821		821
 Total nonoperating revenues (expenses) . . . . .	 <u>116,310</u>	 <u>11,816</u>	 <u>128,126</u>
Net income (loss). . . . .	12,933	(88,376)	(75,443)
Retained earnings (accumulated deficit), July 1 . . . . .	<u>(5,471)</u>	<u>385,683</u>	<u>380,212</u>
Retained earnings, June 30 . . . . .	<u>\$7,462</u>	<u>\$297,307</u>	<u>\$304,769</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees . . . . .	\$32,575		\$32,575
Cash received from sales/service charges . . . . .	185,101	\$545,001	730,102
Cash payments for personal services . . . . .	(162,864)		(162,864)
Cash payments for contract services . . . . .	(7,653)	(111,152)	(118,805)
Cash payments materials and supplies . . . . .	(130,744)		(130,744)
Cash payments for claims expenses . . . . .		(539,253)	(539,253)
Cash payments for other expenses . . . . .	(1,436)		(1,436)
Net cash used in operating activities . . . . .	(85,021)	(105,404)	(190,425)
Cash flows from noncapital financing activities:			
Cash received from operating grants . . . . .	81,878		81,878
Cash received from nonoperating activities . . . . .	821		821
Cash payments used in repayment of interfund loans . . . . .	(1,200)		(1,200)
Net cash provided by noncapital financing activities . . . . .	81,499		81,499
Cash flows from capital and related financing activities:			
Acquisition of capital assets . . . . .	(818)		(818)
Cash flows from investing activities:			
Interest received . . . . .	49	11,816	11,865
Net decrease in cash and cash equivalents . . . . .	(4,291)	(93,588)	(97,879)
Cash and cash equivalents at beginning of year . . . . .	13,743	483,865	497,608
Cash and cash equivalents at end of year . . . . .	\$9,452	\$390,277	\$399,729
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss . . . . .	(\$103,377)	(\$100,192)	(\$203,569)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation . . . . .	1,513		1,513
Federal donated commodities . . . . .	32,835		32,835
Changes in assets and liabilities:			
Decrease in materials and supplies inventory . . . . .	2,958		2,958
Increase in inventory held for resale . . . . .	(4,580)		(4,580)
Decrease in accounts payable . . . . .	(12,447)		(12,447)
Increase in accrued wages . . . . .	1,065		1,065
Decrease in compensated absences payable . . . . .	(2,499)		(2,499)
Decrease in pension obligation payable . . . . .	(1,633)		(1,633)
Decrease in claims payable . . . . .		(5,212)	(5,212)
Increase in deferred revenue . . . . .	1,144		1,144
Net cash used in operating activities . . . . .	(\$85,021)	(\$105,404)	(\$190,425)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**Note 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District is staffed by 54 non-certificated employees, 85 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,357 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

The following organizations are described due to their relationship to the School District:

*JOINTLY GOVERNED ORGANIZATIONS:*

Buckeye Joint Vocational School District

The Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The School District's students may attend the Joint Vocational School District. Each participating School District's control is limited to its representation on the Joint Vocational School District's Board of Education. During fiscal year 1999, no monies were paid to the Joint Vocational School District from the School District.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

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

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

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

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

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists.

The School District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

*PUBLIC ENTITY RISK POOL:*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Basis of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

*Proprietary Fund Types:*

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

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

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. At June 30, 1999, there were no accruals for the agency funds which, in other fund types, would be recognized in the combined balance sheet.

*Account Groups:*

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

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Measurement Focus and Basis of Accounting**

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

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

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

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

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 on the combined balance sheet.

**D. 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.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary legal level of budgetary control is at the object level within each 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 tax rates.

By no later than January 20, the Board-adopted budget is filed with the Tuscarawas 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 School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the School 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 of Education 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. All supplemental appropriations were legally enacted by the Board during fiscal 1999.

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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. 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 general purpose financial statements for proprietary funds.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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.

**E. Cash and Investments**

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

The School District maintains a segregated bank account for monies held separate from the School District's central bank account. The segregated bank account represents monies held by the School District for the self-insurance plan. This interest bearing depository account is presented in the combined balance sheet as "Cash in Segregated Accounts".

During fiscal year 1999, investments were limited to STAR Ohio, certificates of deposit, overnight repurchase agreements, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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 1999 amounted to \$144,144 which includes \$33,217 assigned from other School District funds.



**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. At June 30, 1999, there were no significant inventory balances in the governmental funds. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Fixed Assets and Depreciation**

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 School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 twenty years.

**H. 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 proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School 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 Reimbursement

Special Revenue Funds

Textbook/Instructional Materials Subsidy

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development  
Special Education Transitional Funding  
Title I  
Title VI-B  
Title VI  
Network for Systemic Improvement  
Management Information Systems

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Capital Projects Funds

Permanent Improvement

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 47 percent of the School District's operating revenue during the 1999 fiscal year.

**I. Compensated Absences**

The School District follows the provisions of GASB Statement No. 16, "Accounting for 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability is an estimate based on the School District's past experience of making termination payments.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

Accumulated vacation and sick pay for governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**J. 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, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year end are considered not to have been made with current available financial resources. Bonds and capital leases are reported as a liability of the General Long-Term Obligations Account Group until due.

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

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Interfund Transactions**

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

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

An analysis of interfund transactions is presented in Note 5.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance Reserves**

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

**M. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare general purpose financial statements in accordance with GAAP prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined general purpose financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. During fiscal year 1999, there was no change to contributed capital.

**N. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. The fund balance reserve has also been established. See Note 18 for detail of statutory reserves.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Estimates**

The preparation of financial statements in conformity with GAAP 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.

**P. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 1999, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title VI-B	\$ (4,251)
Title I	(34,838)
<u>Enterprise Funds</u>	
Food Service	(15,352)

The deficit fund balances in the Title VI-B and Title I Special Revenue Funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The deficit retained earnings in the Food Service Enterprise Fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, pension obligation and compensated absences attributable to the fiscal year. These deficit balances will be eliminated by anticipated and future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

These funds complied with Ohio state law which does not permit a cash basis deficit at year end.

**B. Agency Funds**

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

LIABILITIES

Accrued wages and benefits	\$493
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The School District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.



**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits, including cash in segregated accounts and nonnegotiable certificates of deposit, was \$485,803 and the bank balances, including nonnegotiable certificates of deposit, was \$578,210. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$378,210 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

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

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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase Agreement	\$ - 0 -	\$315,489	\$315,489	\$315,489
Federal Agency Securities	398,601	- 0 -	398,601	398,601
Investment in STAR Ohio	<u>-0-</u>	<u>-0-</u>	<u>1,798,163</u>	<u>1,798,163</u>
Total Investments	<u>\$398,601</u>	<u>\$315,489</u>	<u>\$2,512,253</u>	<u>\$2,512,253</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No 9	\$2,998,056	\$ -0-
Investments of the cash management pool:		
Repurchase agreement	(315,489)	315,489
Federal Agency Securities	(398,601)	398,601
Investment in STAR Ohio	<u>(1,798,163)</u>	<u>1,798,163</u>
GASB Statement No. 3	<u>\$ 485,803</u>	<u>\$2,512,253</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the School District's operating transfers for fiscal year 1999:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ - 0 -	\$10,000
<u>Special Revenue Funds</u>		
Artsweek Donations	<u>10,000</u>	<u>- 0 -</u>
Total	<u>\$10,000</u>	<u>\$10,000</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 assessed value upon which the 1998 taxes were collected was \$140,077,117. Agricultural/Residential and minerals real estate represented 63.17% or \$88,483,870 of this total; Commercial & Industrial real estate represented 17.86% or \$25,020,740 of this total, public utility tangible represented 6.07% or \$8,508,560 of this total and general tangible property represented 12.90% or \$18,063,947 of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$41.70 per \$1,000.00 of assessed valuation for operations, \$2.00 per \$1,000.00 of assessed valuation for permanent improvements and \$1.50 per \$1,000.00 of assessed valuation for debt service.

The School District receives property taxes from Tuscarawas, Coshocton and Holmes Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the 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 represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance, and recorded as revenue, at June 30, 1999, was \$879,610 in the General Fund, \$79,138 in the Debt Service Fund and \$69,408 in the Permanent Improvement Capital Projects Fund.

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

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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 8 - FIXED ASSETS**

A. A summary of the Enterprise Funds' fixed assets at June 30, 1999, as follows:

Furniture and equipment	\$67,047
Less: accumulated depreciation	<u>(41,617)</u>
Net fixed assets	<u>\$25,430</u>

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

<u>Asset Category</u>	<u>Balance 07/01/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/99</u>
Land and improvements	\$ 158,794	\$ 13,340	\$ - 0 -	\$ 172,134
Building and improvements	4,367,738	136,557	- 0 -	4,504,295
Furniture, fixtures and equipment	1,156,681	126,741	(49,785)	1,233,637
Vehicles	<u>654,019</u>	<u>53,610</u>	<u>- 0 -</u>	<u>707,629</u>
Totals	<u>\$6,337,232</u>	<u>\$330,248</u>	<u>\$(49,785)</u>	<u>\$6,617,695</u>

There was no construction in progress at June 30, 1999.

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

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into a capitalized lease for school buses. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined general purpose financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$204,305. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in fiscal year 1999 totaled \$35,451 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1998.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2000	\$ 44,185
2001	44,185
2002	<u>44,185</u>
Total	132,555
Less: amount representing interest	<u>(13,701)</u>
Present value of net minimum lease payments	<u>\$118,854</u>



**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	Balance Outstanding <u>07/01/98</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>06/30/99</u>
General Obligation Bond: School Facilities - 7.3%	\$1,945,000	\$ - 0 -	\$ (60,000)	\$1,885,000
Capital lease	154,305	- 0 -	(35,451)	118,854
Pension obligation	54,441	55,169	(54,441)	55,169
Compensated absences	<u>416,940</u>	<u>181,216</u>	<u>(292,592)</u>	<u>305,564</u>
Total General Long-Term Obligations	<u>\$2,570,686</u>	<u>\$236,385</u>	<u>\$(442,484)</u>	<u>\$2,364,587</u>

*General Obligation Bond* - The School District issued the voted general obligation bond for the purpose of constructing a high school building. The bond was issued for a twenty-four year period with final maturity at December 1, 2014. The bond will be retired from the Debt Service Fund.

Capital leases will be paid from the Debt Service Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Principal and interest requirements to retire the general obligation bond outstanding at June 30, 1999, are as follows:**

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 65,000	\$ 132,245	\$ 197,245
2001	75,000	127,536	202,536
2002	80,000	122,285	202,285
2003	90,000	116,483	206,483
2004	100,000	109,800	209,800
2005 - 2015	<u>1,475,000</u>	<u>653,220</u>	<u>2,128,220</u>
Total	<u>\$1,885,000</u>	<u>\$1,261,569</u>	<u>\$3,146,569</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$10,929,593 (including available funds of \$207,652) and an unvoted debt margin of \$140,077.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 248 days or more per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment or retirement. Administrators, teachers and classified employees who work less than 248 days per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 212 days for certified employees and 207 days for classified employees. Upon termination of employment or retirement, a certified employee or administrator receives payment for one-fourth of the total sick leave accumulation up to a maximum accumulation of 49 days. Upon termination of employment or retirement, a classified employee is paid for one-fourth of the total sick leave accumulation to a maximum accumulation of 45 days.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to employees through the Sun Life Assurance Company of Canada of \$15,000 and \$7,500 for full-time and part-time employees, respectively, and \$75,000 for the Superintendent.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

**C. Special Termination Benefits**

The School District approved an early retirement cash incentive plan for the duration of a negotiated agreement with the Garaway Teachers Association from July 1, 1997, through June 30, 2000. Participation is open to employees who elect to retire within 30 days after the end of the school year in which he/she initially becomes eligible for retirement under STRS eligibility criteria. Written notice of an employee's decision to retire under this plan along with certification of service credit by STRS must be presented to the board no later than at the regular May board meeting. An employee who qualified for retirement as of the end of the 1996/97 school year and who elected to retire by July 1, 1997, had a one-time opportunity to participate in the plan by submitting written notification and STRS certification on or before June 16, 1997. The number of employees participating in the plan in any one year is not limited. The one-time \$10,000 cash payment to employees must be paid within 30 days after the effective date of retirement. For fiscal year 1999, no employees elected to participate in the early retirement cash incentive plan.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Indiana Insurance Company for property insurance, and Nationwide/Wausau Insurance Company for fleet insurance. Coverages provided and deductibles are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$22,619,152
Inland Marine Coverage (\$100 deductible)	121,042
Boiler and Machinery (\$500 deductible)	22,619,152
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

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.

Professional liability is protected by the Nationwide/Wausau Insurance Company with a \$1,000,000 single occurrence limit, a \$5,000,000 aggregate limit, and no deductible. The Nationwide/Wausau Insurance Company also maintains \$20,000 public official bonds for the Board President, Board Vice-President, Superintendent, and Assistant Treasurer as well as a \$25,000 bond for the Treasurer. In addition, the Ohio Casualty Insurance Company provides an \$8,000 public blanket bond for other employees.

**B. Worker's Compensation**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2 A). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Employee Group Life, Medical, Dental, and Vision Insurance**

The School District provides employee medical/surgical benefits through a self-insured plan and maintains a self-insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. The plan provides medical/surgical coverage which is 100 percent paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible followed by a 90 percent employee co-payment to a \$250 individual out-of-pocket maximum. A third party administrator, Klais & Company, Inc., of Akron, Ohio, reviews all claims which are then paid by the School District. The School District purchases stop-loss coverage of \$30,000 per individual from Sun Life Assurance Company of Canada. The School District also provides dental and vision coverage on this self-insured basis. The premiums are paid by the School District at a rate of 90 percent for full-time employees and 50 percent for part-time employees. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information. Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$280.64	\$101.37
Dental	27.93	9.97
Vision	7.85	2.75

The claims liability of \$92,970 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No.10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
1999	\$98,182	\$534,041	(\$539,253)	\$92,970
1998	\$54,343	\$473,134	(\$429,295)	\$98,182

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

**NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

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

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 185,101	\$32,575	\$ 217,676
Operating expenses less depreciation	302,351	17,189	319,540
Depreciation expense	1,513	- 0 -	1,513
Operating income (loss)	(118,763)	15,386	(103,377)
Donated commodities	33,979	- 0 -	33,979
Operating grants	82,701	- 0 -	82,701
Net income (loss)	(2,453)	15,386	12,933
Fixed assets additions	818	- 0 -	818
Net working capital	(11,790)	22,814	11,024
Total assets	47,512	22,814	70,326
Total liabilities	42,741	- 0 -	42,741
Contributed capital	20,123	- 0 -	20,123
Total equity	4,771	22,814	27,585
Encumbrances outstanding at June 30, 1999	568	- 0 -	568

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERB within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$80,033, \$88,328, and \$88,502, respectively. Of the contribution requirement, 55 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$44,046, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-term Obligations Account Group.

**B. State Teachers Retirement System**

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



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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$205,885, \$332,586, and \$357,768, respectively. Of the contribution requirement, 82.9 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$35,273, 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.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, three members of the Board of Education have selected social security. The School District's liability is 6.2 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

The School 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.

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

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$274,513 during fiscal 1999.

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

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

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

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, (the latest information available), were \$111.901 million 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. For the School District, the amount to fund health care benefits, including surcharge, equaled \$44,186 during the 1999 fiscal year.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 and Actual (Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- (a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures for all funds (budgetary basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Unrecorded cash, which consists of unrecorded interest is not reported by the School District on the budgetary basis operating statements, but is reported on the GAAP basis operating statements.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budgetary basis	\$ 47,653	\$(68,776)	\$18,899	\$(124,242)
Net adjustment for revenue accruals	(91,390)	(17,027)	11,260	6,469
Net adjustment for expenditure accruals	(12,007)	(19,399)	- 0 -	101,995
Net adjustment for other financing sources (uses) accruals	(1,402)	(107)	- 0 -	- 0 -
Encumbrances (budgetary basis)	<u>101,899</u>	<u>15,986</u>	<u>- 0 -</u>	<u>2,095</u>
GAAP basis	<u>\$ 44,753</u>	<u>\$(89,323)</u>	<u>\$30,159</u>	<u>\$ (13,683)</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The School District is party to a legal proceeding. The School District is of the opinion that ultimate disposition of this claim and legal proceeding will not have a material adverse effect, if any, on the financial condition of the School District.

**C. State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$2,507,245 of school foundation support for its General Fund.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 17 - CONTINGENCIES - (Continued)**

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 December 17, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 18 - STATUTORY RESERVES**

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$34,940	\$ 34,940
Current Year Set-aside Requirement	100,188	100,188	50,094	250,470
Current Year Offsets	(19,222)	(100,188)	0	(119,410)
Qualifying Disbursements	<u>(80,966)</u>	<u>0</u>	<u>0</u>	<u>(80,966)</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$85,034</u>	<u>\$85,034</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 19 - YEAR 2000 ISSUE**

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

As of June 30, 1999, the School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets accounting and educational statistics reporting.

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

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 19 - YEAR 2000 ISSUE - (Continued)**

Tuscarawas, Holmes and Coshocton Counties collect property taxes for distribution to the School District. Tuscarawas, Holmes and Coshocton Counties are responsible for remediating their respective tax collection systems. These Counties are solely responsible for any costs associated with the tax collection system project.

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

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.



GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
For The Year Ended June 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department Of Agriculture</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: National School Lunch Program	N/A	10.555	\$78,382	\$0	\$78,382	\$0
Food Distribution	N/A	10.550	0	33,979	0	32,835
Total U.S. Department of Agriculture - Child Nutrition Cluster			78,382	33,979	78,382	32,835
<b>U.S. Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I - Grants to Local Educational Agencies	C1-S1-98 C1-S1-98 C1-S1-99	84.010	34,325 33,693 154,343 222,361	0 0 0 0	53,609 33,693 151,401 238,703	0 0 0 0
Title VI - Innovative Education Program Strategies	C2-S1-98 C2-S1-99	84.298	0 4,924 4,924	0 0 0	3,199 4,924 8,123	0 0 0
Title VI-B - Special Education Grants to States	6B-SF-98 6B-SF-99	84.027	0 51,032 51,032	0 0 0	6,208 46,649 52,857	0 0 0
Goals 2000 Grant State and Local Education Systemic Improvement State and Local Education Systemic Improvement	G2-S2-97 G2-S2-98 G2-S2-99	84.276 84.276 84.276	0 70,715 30,000 100,715	0 0 0 0	3,815 76,239 22,837 102,691	0 0 0 0
Total U.S. Department of Education			379,032	0	402,374	0
<b>Total</b>			<b>\$457,414</b>	<b>\$33,979</b>	<b>\$480,756</b>	<b>\$32,835</b>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities valued at \$3,227 in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

Garaway Local School District  
Tuscarawas County  
146 Dover Avenue  
Sugarcreek, Ohio 44681

To the Board of Education:

We have audited the general purpose financial statements of Garaway Local School District, Tuscarawas County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 17, 1999.

**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 a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 17, 1999.

This report is intended for the information and use of management, the 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

December 17, 1999



STATE OF OHIO  
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JIM PETRO, AUDITOR OF STATE

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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**

Garaway Local School District  
Tuscarawas County  
146 Dover Avenue  
Sugarcreek, Ohio 44681

To The Board of Education:

**Compliance**

We have audited the compliance of the Garaway Local School District, Tuscarawas 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.

In our opinion, 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.

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

This report is intended for the information and use of management, the 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

December 17, 1999

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

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)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1 Grants to Local Educational Agencies, CFDA #84.010
(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**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

