



**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SINGLE AUDIT**

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



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



## TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups - As of June 30, 1999 .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - For the Fiscal Year Ended June 30, 1999 .....	9
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types - For the Fiscal Year Ended June 30, 1999 .....	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types - For the Year Fiscal Ended June 30, 1999 .....	12
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types - For the Fiscal Year Ended June 30, 1999 .....	13
Combined Statement of Cash Flows - All Proprietary Fund Types- For the Fiscal Year Ended June 30, 1999 .....	14
Notes to the Financial Statements .....	15
Schedule of Federal Awards Expenditures .....	47
Notes to the Schedule of Federal Awards Expenditures .....	48
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	49
Report of Independent Accountants on Compliance with Requirements Applicable to each Major Federal Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i> .....	51
Schedule of Findings .....	53

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## REPORT OF INDEPENDENT ACCOUNTANTS

Lynchburg-Clay Local School District  
Highland County  
263 North Main Street  
Lynchburg, Ohio 45142

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Lynchburg-Clay Local School District, Highland County, Ohio (the District), as of and for the fiscal 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 Lynchburg-Clay Local School District, Highland County, Ohio, 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 March 14, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

March 14, 2000

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**Lynchburg Clay Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$2,431,866	\$122,527	\$179,830	\$7,044,759
Receivables:				
Taxes	1,144,408	26,103	204,772	0
Accounts	225	0	0	0
Intergovernmental	4,026	0	0	0
Interfund Receivable	128,921	0	0	0
Prepaid Items	10,892	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	162,938	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	 \$3,883,276	 \$148,630	 \$384,602	 \$7,044,759



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$10,006	\$352,566	\$25,985	\$0	\$0	\$10,167,539
0	0	0	0	0	1,375,283
0	0	0	0	0	225
10,043	0	0	0	0	14,069
0	0	0	0	0	128,921
0	0	0	0	0	10,892
0	0	0	0	0	162,938
5,732	0	0	0	0	5,732
796	0	0	0	0	796
10,426	0	0	3,173,035	0	3,183,461
0	0	0		188,834	188,834
0	0	0	0	2,583,108	2,583,108
<u>\$37,003</u>	<u>\$352,566</u>	<u>\$25,985</u>	<u>\$3,173,035</u>	<u>\$2,771,942</u>	<u>\$17,821,798</u>

(continued)

**Lynchburg Clay Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**  
**(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities, Fund Equity</u></b>				
<b><u>and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$7,056	\$1,885	\$0	\$0
Contracts Payable	0	0	0	952,496
Accrued Wages and Benefits	487,047	20,768	0	0
Compensated Absences Payable	30,805	0	0	0
Retainage Payable	0	0	0	50,964
Interfund Payable	0	40,333	0	9,688
Intergovernmental Payable	97,082	3,162	0	0
Deferred Revenue	1,097,908	24,955	195,768	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,719,898</b>	<b>91,103</b>	<b>195,768</b>	<b>1,013,148</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	188,749	2,682	0	819,268
Reserved for Property Taxes	46,500	1,148	9,004	0
Reserved for Budget Stabilization	72,721	0	0	0
Reserved for Capital Acquisition	22,494	0	0	0
Reserved for School Bus Purchases	67,723	0	0	0
Unreserved:				
Undesignated	1,765,191	53,697	179,830	5,212,343
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>2,163,378</b>	<b>57,527</b>	<b>188,834</b>	<b>6,031,611</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$3,883,276</b>	<b>\$148,630</b>	<b>\$384,602</b>	<b>\$7,044,759</b>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$8,941
0		0	0	0	952,496
21,805	0	0	0	0	529,620
12,750	0	0	0	369,678	413,233
0	0	0	0	0	50,964
78,900	0	0	0	0	128,921
9,649	39,385	0	0	47,264	196,542
2,231	0	0	0	0	1,320,862
0	0	25,985	0	0	25,985
0	132,174	0	0	0	132,174
0	0	0	0	50,000	50,000
0	0	0	0	2,305,000	2,305,000
<u>125,335</u>	<u>171,559</u>	<u>25,985</u>	<u>0</u>	<u>2,771,942</u>	<u>6,114,738</u>
0	0	0	3,173,035	0	3,173,035
(88,332)	181,007	0	0	0	92,675
	0	0	0	0	1,010,699
0	0	0	0	0	56,652
0	0	0	0	0	72,721
0	0	0	0	0	22,494
0	0	0	0	0	67,723
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,211,061</u>
<u>(88,332)</u>	<u>181,007</u>	<u>0</u>	<u>3,173,035</u>	<u>0</u>	<u>11,707,060</u>
<u>\$37,003</u>	<u>\$352,566</u>	<u>\$25,985</u>	<u>\$3,173,035</u>	<u>\$2,771,942</u>	<u>\$17,821,798</u>

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**Lynchburg Clay Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>Revenues:</u></b>					
Property Taxes	\$1,043,442	\$27,382	\$228,955	\$0	\$1,299,779
Intergovernmental	4,964,715	208,901	11,316	5,540,501	10,725,433
Interest	145,314	169	0	97,572	243,055
Tuition and Fees	22,205	3,511	0	0	25,716
Rent	940	0	0	0	940
Extracurricular Activities	0	24,734	0	0	24,734
Gifts and Donations	1,028	7,193	0	0	8,221
Miscellaneous	20,599	4,317	3,781	0	28,697
<b>Total Revenues</b>	<b>6,198,243</b>	<b>276,207</b>	<b>244,052</b>	<b>5,638,073</b>	<b>12,356,575</b>
<b><u>Expenditures:</u></b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	2,670,141	72,561	0	0	2,742,702
Special	215,899	155,836	0	0	371,735
Vocational	176,066	0	0	0	176,066
Adult/Continuing	494	3,384	0	0	3,878
<b>Support Services:</b>					
Pupils	172,589	2,000	0	0	174,589
Instructional Staff	243,896	47,217	0	0	291,113
Board of Education	15,664	0	0	0	15,664
Administration	681,027	9,612	0	0	690,639
Fiscal	196,860	1,973	6,157	0	204,990
Business	40,250	0	0	0	40,250
Operation and Maintenance of Plant	452,405	1,157	0	0	453,562
Pupil Transportation	562,737	568	0	0	563,305
Central	487	5,388	0	0	5,875
Non-Instructional Services	2,758	3,132	0	0	5,890
Extracurricular Activities	72,387	25,796	0	0	98,183
Capital Outlay	11,285	0	0	1,959,723	1,971,008
<b>Debt Service:</b>					
Principal Retirement	0	0	38,100	0	38,100
Interest and Fiscal Charges	0	0	116,779	0	116,779
<b>Total Expenditures</b>	<b>5,514,945</b>	<b>328,624</b>	<b>161,036</b>	<b>1,959,723</b>	<b>7,964,328</b>
Excess of Revenues Over (Under) Expenditures	683,298	(52,417)	83,016	3,678,350	4,392,247
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Bonds	0	0	0	2,330,600	2,330,600
Operating Transfers In	0	4,500	0	3,012	7,512
Operating Transfers Out	(47,512)	0	0	0	(47,512)
<b>Total Other Financing Sources (Uses)</b>	<b>(47,512)</b>	<b>4,500</b>	<b>0</b>	<b>2,333,612</b>	<b>2,290,600</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	635,786	(47,917)	83,016	6,011,962	6,682,847
Fund Balances at Beginning of Year- Restated (Note 17)	1,527,592	105,444	105,818	19,649	1,758,503
<b>Fund Balances at End of Year</b>	<b>\$2,163,378</b>	<b>\$57,527</b>	<b>\$188,834</b>	<b>\$6,031,611</b>	<b>\$8,441,350</b>

See accompanying notes to the general purpose financial statements

**Lynchburg Clay Local School District**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,083,750	\$1,016,745	(\$67,005)	\$24,889	\$26,729	\$1,840
Intergovernmental	4,530,663	4,959,974	429,311	299,685	282,871	(16,814)
Interest	150,000	165,411	15,411	165	169	4
Tuition and Fees	22,550	22,055	(495)	3,496	3,511	15
Rent	450	940	490	0	0	0
Extracurricular Activities	800	0	(800)	24,070	24,649	579
Gifts and Donations	500	1,028	528	7,030	7,193	163
Miscellaneous	8,520	5,902	(2,618)	3,933	4,285	352
<b>Total Revenues</b>	<b>5,797,233</b>	<b>6,172,055</b>	<b>374,822</b>	<b>363,268</b>	<b>349,407</b>	<b>(13,861)</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	2,776,951	2,639,346	137,605	91,126	75,446	15,680
Special	254,525	227,134	27,391	189,000	149,157	39,843
Vocational	190,304	176,435	13,869	0	0	0
Adult/Continuing	1,220	494	726	3,384	3,384	0
Support Services:						
Pupils	219,602	173,884	45,718	17,000	2,000	15,000
Instructional Staff	283,195	246,087	37,108	64,953	50,291	14,662
Board of Education	18,820	15,009	3,811	0	0	0
Administration	699,507	682,926	16,581	11,481	10,484	997
Fiscal	221,389	196,034	25,355	3,667	1,978	1,689
Business	51,035	41,635	9,400	0	0	0
Operation and Maintenance of Plant	582,230	470,132	112,098	1,175	1,157	18
Pupil Transportation	716,967	662,130	54,837	568	568	0
Central	900	487	413	12,194	5,388	6,806
Non-Instructional Services	3,450	2,642	808	6,293	3,326	2,967
Extracurricular Activities	80,279	72,021	8,258	29,324	27,161	2,163
Capital Outlay	77,446	38,636	38,810	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>6,177,820</b>	<b>5,645,032</b>	<b>532,788</b>	<b>430,165</b>	<b>330,340</b>	<b>99,825</b>
Excess of Revenues Over (Under) Expenditures	(380,587)	527,023	907,610	(66,897)	19,067	85,964
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Refund of Prior Year Expenditure	8,831	15,438	6,607	117	117	0
Refund of Prior Year Receipts	(2,100)	(894)	1,206	(4,981)	(4,981)	0
Advances In	0	81,100	81,100	40,000	40,000	0
Advances Out	(120,000)	(101,312)	18,688	(39,000)	(39,000)	0
Operating Transfers In	0	0	0	5,280	5,280	0
Operating Transfers Out	(67,800)	(47,512)	20,288	0	0	0
Other Financing Uses	0	0	0	0	0	0
Other Financing Sources	575	864	289	6,867	6,867	0
<b>Total Other Financing Sources (Uses)</b>	<b>(180,494)</b>	<b>(52,316)</b>	<b>128,178</b>	<b>8,283</b>	<b>8,283</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(561,081)	474,707	1,120,835	(58,614)	27,350	85,964
Fund Balances at						
Beginning of Year	1,670,110	1,670,110	0	73,452	73,452	0
Prior Year Encumbrances Appropriated	254,922	254,922	0	17,157	17,157	0
<b>Fund Balances at End of Year</b>	<b>\$1,363,951</b>	<b>\$2,399,739</b>	<b>\$1,120,835</b>	<b>\$31,995</b>	<b>\$117,959</b>	<b>\$85,964</b>

See accompanying notes to the general purpose financial statements.

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$151,256	\$223,832	\$72,576	\$0	\$0	\$0	\$1,259,895	\$1,267,306	\$7,411
10,500	11,316	816	21,429,303	5,540,501	(15,888,802)	26,270,151	10,794,662	(15,475,489)
0	0	0	70,000	111,229	41,229	220,165	276,809	56,644
0	0	0	0	0	0	26,046	25,566	(480)
0	0	0	0	0	0	450	940	490
0	0	0	0	0	0	24,870	24,649	(221)
0	0	0	0	0	0	7,530	8,221	691
0	0	0	0	0	0	12,453	10,187	(2,266)
<u>161,756</u>	<u>235,148</u>	<u>73,392</u>	<u>21,499,303</u>	<u>5,651,730</u>	<u>(15,847,573)</u>	<u>27,821,560</u>	<u>12,408,340</u>	<u>(15,413,220)</u>
0	0	0	137,116	132,806	4,310	3,005,193	2,847,598	157,595
0	0	0	0	0	0	443,525	376,291	67,234
0	0	0	6,623	6,623	0	196,927	183,058	13,869
0	0	0	0	0	0	4,604	3,878	726
0	0	0	0	0	0	236,602	175,884	60,718
0	0	0	71	40	31	348,219	296,418	51,801
0	0	0	0	0	0	18,820	15,009	3,811
0	0	0	0	0	0	710,988	693,410	17,578
8,898	6,157	2,741	10,000	871	9,129	243,954	205,040	38,914
0	0	0	0	0	0	51,035	41,635	9,400
0	0	0	0	0	0	583,405	471,289	112,116
0	0	0	0	0	0	717,535	662,698	54,837
0	0	0	0	0	0	13,094	5,875	7,219
0	0	0	0	0	0	9,743	5,968	3,775
0	0	0	0	0	0	109,603	99,182	10,421
0	0	0	2,895,220	2,587,687	307,533	2,972,666	2,626,323	346,343
38,100	38,100	0	0	0	0	38,100	38,100	0
<u>116,779</u>	<u>116,779</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>116,779</u>	<u>116,779</u>	<u>0</u>
<u>163,777</u>	<u>161,036</u>	<u>2,741</u>	<u>3,049,030</u>	<u>2,728,027</u>	<u>321,003</u>	<u>9,820,792</u>	<u>8,864,435</u>	<u>956,357</u>
<u>(2,021)</u>	<u>74,112</u>	<u>76,133</u>	<u>18,450,273</u>	<u>2,923,703</u>	<u>(15,526,570)</u>	<u>18,000,768</u>	<u>3,543,905</u>	<u>(14,456,863)</u>
0	0	0	2,330,600	2,330,600	0	2,330,600	2,330,600	0
0	0	0	0	0	0	8,948	15,555	6,607
0	0	0	0	0	0	(7,081)	(5,875)	1,206
0	0	0	9,379	9,312	(67)	49,379	130,412	81,033
0	0	0	0	0	0	(159,000)	(140,312)	18,688
0	0	0	3,012	3,012	0	8,292	8,292	0
0	0	0	0	0	0	(67,800)	(47,512)	20,288
0	0	0	99,998	0	(99,998)	99,998	0	(99,998)
<u>3,781</u>	<u>3,781</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,223</u>	<u>11,512</u>	<u>289</u>
<u>3,781</u>	<u>3,781</u>	<u>0</u>	<u>2,442,989</u>	<u>2,342,924</u>	<u>(100,065)</u>	<u>2,274,559</u>	<u>2,302,672</u>	<u>28,113</u>
1,760	77,893	76,133	20,893,262	5,266,627	(15,626,635)	20,275,327	5,846,577	(14,428,750)
101,937	101,937	0	13,741	13,741	0	1,859,240	1,859,240	0
0	0	0	6,283	6,283	0	278,362	278,362	0
<u>\$103,697</u>	<u>\$179,830</u>	<u>\$76,133</u>	<u>\$20,913,286</u>	<u>\$5,286,651</u>	<u>(\$15,626,635)</u>	<u>\$22,412,929</u>	<u>\$7,984,179</u>	<u>(\$14,428,750)</u>

**Lynchburg Clay Local School District**  
**Combined Statement of Revenues**  
**Expenses and Changes in Retained Earnings**  
**All Proprietary Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b><u>Operating Revenues:</u></b>			
Sales	\$174,389	\$0	\$174,389
Charges for Services	0	593,411	593,411
Other Revenues	<u>2,801</u>	<u>1,528</u>	<u>4,329</u>
Total Operating Revenue	<u>177,190</u>	<u>594,939</u>	<u>772,129</u>
<b><u>Operating Expenses:</u></b>			
Salaries	122,607	0	122,607
Fringe Benefits	43,601	0	43,601
Purchased Services	4,768	7,963	12,731
Materials and Supplies	14,147	74	14,221
Cost of Sales	134,308	0	134,308
Depreciation	1,989	0	1,989
Claims	0	605,397	605,397
Other	<u>649</u>	<u>0</u>	<u>649</u>
Total Operating Expenses	<u>322,069</u>	<u>613,434</u>	<u>935,503</u>
Operating Income (Loss)	<u>(144,879)</u>	<u>(18,495)</u>	<u>(163,374)</u>
<b><u>Non-Operating Revenues:</u></b>			
Interest	0	4,278	4,278
Federal Donated Commodities	19,906	0	19,906
Federal and State Subsidies	<u>82,225</u>	<u>0</u>	<u>82,225</u>
Total Non-Operating Revenues	<u>102,131</u>	<u>4,278</u>	<u>106,409</u>
Income (Loss) Before Operating Transfers	(42,748)	(14,217)	(56,965)
Operating Transfers In	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Net Income (Loss)	(2,748)	(14,217)	(16,965)
Retained Earnings (Deficit) at Beginning of Year	<u>(85,584)</u>	<u>195,224</u>	<u>109,640</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$88,332)</u></u>	<u><u>\$181,007</u></u>	<u><u>\$92,675</u></u>

See accompanying notes to the general purpose financial statements



**Lynchburg-Clay Local School District**  
**Combined Statement of Revenues, Expenses and**  
**Changes in Fund Equity - Budget and Actual (Budget Basis)**  
**All Proprietary Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	Enterprise			Internal Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Sales	155,969	174,325	18,356	0	0	0
Interest	0	0	0	8,800	9,112	312
Charges for Services	0	0	0	650,872	593,411	(57,461)
Federal and State Subsidies	82,907	82,907	0	0	0	0
Refund of Prior Year Expenses	0	2,865	2,865	1,700	1,528	(172)
<b>Total Revenues</b>	<b>238,876</b>	<b>260,097</b>	<b>21,221</b>	<b>661,372</b>	<b>604,051</b>	<b>(57,321)</b>
<b><u>Expenses:</u></b>						
Salaries	116,590	116,566	24	0	0	0
Fringe Benefits	50,504	50,504	0	0	0	0
Purchased Services	4,937	4,766	171	128,555	90,276	38,279
Materials and Supplies	129,928	128,226	1,702	500	247	253
Capital Outlay	200	200	0	0	0	0
Other	780	649	131	551,000	416,983	134,017
<b>Total Expenses</b>	<b>302,939</b>	<b>300,911</b>	<b>2,028</b>	<b>680,055</b>	<b>507,506</b>	<b>172,549</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>(64,063)</b>	<b>(40,814)</b>	<b>23,249</b>	<b>(18,683)</b>	<b>96,545</b>	<b>115,228</b>
Advances In	70,000	52,000	18,000	0	0	0
Advances Out	(68,000)	(42,100)	(25,900)	0	0	0
Transfers In	78,000	40,000	(38,000)	0	0	0
<b>Excess of Revenues Over (Under) Expenses, Advances and Transfers</b>	<b>15,937</b>	<b>9,086</b>	<b>(6,851)</b>	<b>(18,683)</b>	<b>96,545</b>	<b>115,228</b>
Fund Equity at Beginning of Year	920	920	0	244,535	244,535	0
Prior Year Encumbrances Appropriated	0	0	0	12,055	12,055	0
<b>Fund Equity at End of Year</b>	<b>\$16,857</b>	<b>\$10,006</b>	<b>(\$6,851)</b>	<b>\$237,907</b>	<b>\$353,135</b>	<b>\$115,228</b>

See accompanying notes to the general purpose financial statements

**Lynchburg Clay Local School District  
Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999**

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$174,325	\$0	\$174,325
Cash Received from Quasi-External Transactions With Other Funds	0	593,411	593,411
Cash Received from Other Operating Sources	2,865	1,528	4,393
Cash Payments to Suppliers for Goods and Services	(133,841)	(8,209)	(142,050)
Cash Payments to Employees for Services	(116,566)	0	(116,566)
Cash Payments for Employee Benefits	(50,504)	0	(50,504)
Cash Payments for Claims	0	(499,130)	(499,130)
Net Cash Provided by (Used for) Operating Activities	(123,721)	87,600	(36,121)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	82,907	0	82,907
Operating Transfers In	40,000	0	40,000
Short-Term Loans from Other Funds	52,000	0	52,000
Repayment of Short-Term Loans	(42,100)	0	(42,100)
Net Cash Provided by Noncapital Financing Activities	132,807	0	132,807
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest on Investments	0	8,377	8,377
Net Increase in Cash and Cash Equivalents	9,086	95,977	105,063
Cash and Cash Equivalents at Beginning of Year	920	256,589	257,509
Cash and Cash Equivalents at End of Year	\$10,006	\$352,566	\$362,572
 <b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u></b>			
Operating Income (Loss)	(\$144,879)	(\$18,495)	(\$163,374)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used) for Operating Activities:</u></b>			
Depreciation	1,989	0	1,989
Donated Commodities Used During Year	19,906	0	19,906
<b><u>Changes in Assets and Liabilities:</u></b>			
Decrease in Inventory Held for Resale	60	0	60
Decrease in Materials and Supplies Inventory	62	0	62
Decrease in Accounts Payable	0	(172)	(172)
Decrease in Accrued Wages and Benefits	(986)	0	(986)
Increase in Compensated Absences Payable	1,199	0	1,199
Increase (Decrease) in Intergovernmental Payable	(1,072)	39,385	38,313
Increase in Claims Payable	0	66,882	66,882
Total Adjustments	21,158	106,095	127,253
Net Cash Provided by (Used for) Operating Activities	(\$123,721)	\$87,600	(\$36,121)

See accompanying notes to the general purpose financial statements

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Lynchburg-Clay Local School District (the 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 was established in 1853 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 113 square miles. It is located in Highland, Clinton and Brown Counties, and includes all of the Villages of Lynchburg, Buford, and Dodson and portions of Hamer, Union and White Oak Townships. It is staffed by 54 non-certificated employees and 75 certificated personnel who provide services to 1,320 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

**Reporting Entity**

The reporting entity is comprised of the primary government. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Lynchburg-Clay Local School District, this includes general operations, food service, and student related activities of the School District.

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 School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a claims servicing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), Hopewell Special Education Regional Resource Center (Hopewell), Great Oaks Institute of Technology and Career Development, the Ross County School Employees Insurance Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 to the general-purpose financial statements.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

The financial statements of Lynchburg-Clay Local 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 standards 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 described below.

**A. 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 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.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

Special Revenue Funds - 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 Fund - The enterprise fund is 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 is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Type:

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. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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:

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

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 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 funds.

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

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 in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Because the activity of agency funds is not budgeted, transfers-in and transfers out do not equal on a budgetary basis due to a transfer of \$780 from the student activities agency fund to the public school support special revenue fund.

**Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Highland County Budget Commission for rate determination.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

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.

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 is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board 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 may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, four supplemental appropriations were legally enacted, some of which were significant.

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain



Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

**D. Cash and Cash Equivalents**

To improve cash management, all 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 School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, the School District's investments were limited federal agency securities, commercial paper, repurchase agreements and funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$145,314, which includes \$14,588 assigned from other School District funds. The special revenue, capital projects and internal service funds also received interest in the amounts of \$169, \$97,572, and \$4,278, respectively.

For purposes of the statement of cash flows, the Proprietary funds' portion of Pooled Cash and Cash Equivalents is considered a cash equivalent because the District is able to withdraw resources from these funds without prior notice or penalty.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

**E. Inventory**

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

**F. Prepaid Items**

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

**G. 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.

Assets in the general fixed assets account group are depreciated using the straight-line method over an estimated useful life of 50 years for buildings, 5 years for land improvements, 20 years for building improvements, 6 to 15 years for furniture, equipment, and fixtures, 5 to 10 years for vehicles. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of 15 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.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

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

Non-Reimbursable Grants

Special Revenue Funds

- Career Development
- Education Management Information Systems
- Preschool Disabilities
- Local Professional Development
- Teacher Development
- Vocational Education
- Title I
- Carl Perkins
- Title VI
- Eisenhower
- Title VI-B
- Drug-Free Schools

Capital Projects Funds

- Vocational Education Equipment
- Technology Equity
- School Net
- School Net Plus

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 86 percent of governmental fund revenue during the 1999 fiscal year.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using 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.

**K. Accrued Liabilities and Long-term Obligations**

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

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

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the acquisition or construction of capital assets, for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a 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 have been established for encumbrances, property taxes, budget stabilization, capital acquisition, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**O. Estimates**

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

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

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

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$635,786	(\$47,917)	\$83,016	\$6,011,962
Revenue Accruals	75,161	78,652	5,337	13,657
Expenditure Accruals	64,819	(2,129)	0	1,003,459
Encumbrances	(195,800)	(4,568)	0	(1,771,764)
Transfers	0	780	0	0
Advances	(20,212)	1,000	0	9,313
Budget Basis	\$559,754	\$25,818	\$88,353	\$5,266,627

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

Net Income (Loss)/Excess of Revenues Over  
Expenses, Advances and Transfers  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$2,748)	(\$14,217)
Revenue Accruals	682	4,834
Expense Accruals	(737)	106,094
Depreciation	1,989	0
Advances	9,900	0
Encumbrances	0	(166)
Budget Basis	\$9,086	\$96,545

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify 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.

Inactive deposits are public deposits that 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.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (Continued)

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in divisions (1) or (2) 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 Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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, debt interests 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.



Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$257,394 and the bank balance was \$364,988. Of the bank balance:

1. \$180,046 was covered by federal depository insurance; and
2. \$184,942 was uninsured and uncollateralized. Although all statutory requirements for the deposit of the money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 2	Carrying Value	Fair Value
STAR Ohio	\$0	\$128,440	\$128,440
Commercial Paper	877,562	877,562	877,562
Federal Home Loan Bank Bonds	898,420	898,420	898,420
Federal Home Loan Mortgage Bonds	500,000	500,000	500,000
Federal National Mortgage Association Bonds	300,150	300,150	300,150
Repurchase Agreements	7,368,511	7,368,511	7,368,511
	<u>\$9,944,643</u>	<u>\$10,073,083</u>	<u>\$10,073,083</u>

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (Continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting. A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$10,330,477	\$0
Investments:		
STAR Ohio	(128,440)	128,440
Commercial Paper	(877,562)	877,562
Federal Home Loan Bank Bonds	(898,420)	898,420
Federal Home Loan Mortgage Bonds	(500,000)	500,000
Federal National Mortgage Association Bonds	(300,150)	300,150
Repurchase Agreements	(7,368,511)	7,368,511
GASB Statement No. 3	\$257,394	\$10,073,083

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 5 - PROPERTY TAXES** (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

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

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,754,070	84.57%	\$47,967,050	85.39%
Public Utility	4,986,850	9.22%	4,956,200	8.82%
Tangible Personal Property	3,359,010	6.21%	3,253,090	5.79%
Total Assessed Value	<u>\$54,099,930</u>	<u>100.00%</u>	<u>\$56,176,340</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.92		\$29.92	

The School District receives property taxes from Highland, Clinton, and Brown Counties. The County Auditors periodically advances 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.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 5 - PROPERTY TAXES** (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current 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 at June 30 1999, was \$46,500 for the general fund, \$1,148 for the classroom facilities maintenance special revenue fund and \$9,004 in the debt service fund. All amounts are recognized as revenue in their respective funds.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts, intergovernmental grants, and interfund amounts. 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 year guarantee of federal funds.

The only intergovernmental receivables at fiscal year end were in the general fund and food services enterprise fund in the amounts of \$4,026 and \$10,043 respectively, for a total intergovernmental receivable of \$14,069.

**NOTE 7 - FIXED ASSETS**

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

Furniture and Equipment	\$78,216
Less Accumulated Depreciation	<u>(67,790)</u>
Net Fixed Assets	<u><u>\$10,426</u></u>

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$447,503	\$0	\$0	\$447,503
Buildings and Improvements	1,852,646	0	0	1,852,646

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 7 - FIXED ASSETS** (Continued)

Furniture, Fixtures and Equipment	1,383,245	199,573	0	1,582,818
Vehicles	859,424	93,829	0	953,253
Textbooks	231,254	31,026	0	262,280
Construction in Progress	0	1,497,600	0	1,497,600
Totals	<u>\$4,774,072</u>	<u>\$1,822,028</u>	<u>\$0</u>	\$6,596,100
Accumulated Depreciation				<u>(3,423,065)</u>
Total General Fixed Assets				<u>\$3,173,035</u>

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$12,562,700
Inland Marine Coverage (\$250 deductible)	5,000
Boiler and Machinery (\$1,000 deductible)	4,023,000
Automobile Liability (\$500 deductible)	2,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction of coverage from the prior year.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). 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

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 8 - RISK MANAGEMENT** (Continued)

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.

Vision and dental insurance is offered to employees through a self-insurance internal service fund. The claims liability of \$132,174 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", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$87,527	\$405,932	\$428,167	\$65,292
1999	65,292	605,399	538,515	132,174

Medical/surgical coverage is also provided to employees through a self-insurance internal service fund. Accurate financial information is not currently available for this program and it is not included in the financial statements.

**NOTE 9 - 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 defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$63,091, \$87,016 and \$83,261, respectively; 43.42 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$35,699 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. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations 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 \$148,031, \$271,248 and \$294,863, respectively; 81.09 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$27,986 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (Continued)

**C. Social Security System**

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

**NOTE 10 - 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$197,374 for fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal



Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (Continued)

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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$58,971.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days for classified and certified employees.

**B. Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance to most employees through the Ohio Educational Employees Life Insurance Trust.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 12 - LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation Notes 1994 3.25%-5.8%	\$62,500	\$0	\$12,500	\$50,000
School Improvement Bonds 1998 3.8%-5.625%	0	2,330,600	25,600	2,305,000
Pension Obligation	42,395	47,264	42,395	47,264
Compensated Absences	334,784	34,894	0	369,678
Total General Long-Term Obligations	<u>\$439,679</u>	<u>\$2,412,758</u>	<u>\$80,495</u>	<u>\$2,771,942</u>

***Energy Conservation Notes*** - On June 18, 1992, Lynchburg-Clay Local School District issued \$134,953 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2002. The notes will be retired from the debt service fund.

The 1998 School Improvement bonds were issued in the amount of \$2,330,600 in July, 1998 as a result of the School District being approved for a \$23,567,875 school facilities loan through the State Department of Education for the construction of a new elementary school and renovations to the high school building. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 4.42 mill levy. Of the 4.42 mill levy, .5 mill is to be used for the retirement of the loan, with the balance of 3.92 mills used for the retirement of the 1998 bond issue. The levy will be in effect for twenty-three years.

The School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the classroom facilities loan to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 12 - LONG-TERM OBLIGATIONS** (Continued)

Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid.

The District's overall legal debt margin was \$7,560,125 with an unvoted debt margin of \$56,176 at June 30, 1999.

Principal and interest requirements to retire the energy conservation notes and school improvement bonds outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$77,500	\$114,312	\$191,812
2001	77,500	110,989	188,489
2002	82,500	107,469	189,969
2003	82,500	103,856	186,356
2004	75,000	100,411	175,411
2005-2009	420,000	449,414	869,414
2010-2014	525,000	333,830	858,830
2015-2019	690,000	171,141	861,141
2020-2021	325,000	16,375	341,375
Total	<u>\$2,355,000</u>	<u>\$1,507,797</u>	<u>\$3,862,797</u>

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

***South Cental Ohio Computer Association (SCOCA)***

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$17,821 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

***Hopewell Special Education Regional Resource Center (Hopewell)***

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the county board of education, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants.

***Great Oaks Institute of Technology and Career Development***

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possess its own budgetary and taxing authority. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, OH 45241-1581.

**NOTE 14 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS**

***Ross County Schools Employees Insurance Consortium***

The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. Medical/surgical, dental, and vision is administered through a third party administrator, Professional Risk Management Company. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the cost of administering the Consortium. To obtain financial information, write to the Union Scioto Local School District, Eleanor Carshner who serves as Treasurer, at 1432 Egypt Pike, Chillicothe, Ohio 45601.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 14 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS** (Continued)

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP'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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 15 - SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,757,679 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total grant of \$5,415,881 under this program.

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

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

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives grant monies for school bus purchases. The balance of the grant as of June 30, 1999, is shown as a reserve for school bus purchases.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$30,409	\$30,409
Current Year Set-aside Requirement	84,624	84,624	42,312	211,560
Current Year Offsets	(18,698)	0	0	(18,698)
Qualifying Disbursements	(65,926)	(62,130)	0	(128,056)
Set-aside Cash Balance as of June 30, 1999	<u>\$0</u>	<u>\$22,494</u>	<u>\$72,721</u>	95,215
Amount restricted for school bus purchases				<u>67,723</u>
Total Restricted Assets				<u>\$162,938</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 17 - RESTATEMENT OF FUND BALANCES**

In fiscal year 1998, the technology grant special revenue fund was incorrectly reported in the capital projects funds. The correction had the following effect on fund balances:

	Special Revenue Funds	Capital Projects Funds
Fund Balance previously reported at 6/30/98	\$103,600	\$21,493
Restatement for fund classification	1,844	(1,844)
Fund Balance Restated at 7/01/98	<u>\$105,444</u>	<u>\$19,649</u>

**NOTE 18 - CONSTRUCTION COMMITMENTS**

The School District has entered into contracts for the design and construction of a new building and renovations to an existing building in the School District. Outstanding construction commitments at June 30, 1999 are as follows:

Project	Contract Amount	Amount Expended	Balance At 6/30/99
George J. Igel & Company, Inc.	\$1,665,300	\$0	\$1,665,300
Steed, Hammond & Paul	1,667,000	730,127	936,873
Total	<u>\$3,332,300</u>	<u>\$730,127</u>	<u>\$2,602,173</u>

**NOTE 19 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 1999, the title 1 special revenue fund, vocational education capital projects fund and the food services enterprise fund had deficit fund balances/retained earnings of \$56,983, \$3,160, and \$88,332 respectively. The deficits were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District is monitoring the sales in the food services fund to see if an increase in charges is necessary.

Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 19 - ACCOUNTABILITY AND COMPLIANCE** (Continued)

**B. Compliance**

The District Treasurer did not attend the required continuing education programs related to investments.

The District did not submit an amended certificate of estimated resources to the County Budget Commissioner.

The District had negative cash balances in certain funds during the fiscal year.

The District posted tax receipts incorrectly. These errors have been corrected for the financial statement presentation.

**NOTE 20 - INTERFUND ACTIVITY**

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

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$128,921	\$0
<u>Special Revenue Funds:</u>		
District Managed Activities	0	333
Title I	0	40,000
Total Special Revenue	<u>0</u>	<u>40,333</u>
<u>Capital Projects Funds:</u>		
Classroom Facilities	0	5,679
Vocational Education Equipment	0	4,009
Total Capital Projects	<u>0</u>	<u>9,688</u>
<u>Enterprise Fund:</u>		
Food Service	0	78,900
Total All Funds	<u><u>\$128,921</u></u>	<u><u>\$128,921</u></u>



Lynchburg-Clay Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 21 - CONTINGENCIES**

**A. Grants:**

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

**B. Litigation:**

The School District is not party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$0	\$19,906	\$0	\$19,906
National School Lunch Program	04-PU-98 03-PU-98 04-PU-99 03-PU-99	10.555	78,704	0	78,704	0
Total Child Nutrition Cluster			<u>78,704</u>	<u>0</u>	<u>78,704</u>	<u>0</u>
Total U.S. Department of Agriculture			78,704	19,906	78,704	19,906
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Title VI-B, Handicapped - State Grants (Part B, Education of the Handicapped Act)	6B-SF-98 6B-SF-97	84.027	24,564	0	19,903	0
Title VI-B, Special Education - Preschool Grants	PG-S1-98	84.173	<u>3,042</u>	<u>0</u>	<u>2,470</u>	<u>0</u>
Total Special Education Cluster			<u>27,606</u>	<u>0</u>	<u>22,373</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-98 C1-S1-99	84.010	147,242	0	144,292	0
Innovative Educational Program Strategies (Title VI)	C2-S1-99	84.298	4,852	0	6,265	0
Eisenhower Prof Development State Grant	MS-S1-99	84.281	5,766	0	9,718	0
Education Systemic Improvement Grants (Goals 2000)	G2-S1-98	84.276	40,500	0	29,661	0
Drug-Free Schools Grant	DR-S1-99	84.186	<u>4,067</u>	<u>0</u>	<u>8,632</u>	<u>0</u>
Total Department of Education			<u>202,427</u>	<u>0</u>	<u>198,568</u>	<u>0</u>
<b>Totals</b>			<b><u>\$308,737</u></b>	<b><u>\$19,906</u></b>	<b><u>\$299,645</u></b>	<b><u>\$19,906</u></b>

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Lynchburg-Clay Local School District  
Highland County  
263 North Main Street  
Lynchburg, Ohio 45142

To the Board of Education:

We have audited the financial statements of Lynchburg-Clay Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated March 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Lynchburg-Clay Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10436-001 through 1999-10436-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Lynchburg-Clay Local School District in a separate letter dated March 14, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lynchburg-Clay Local School 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lynchburg-Clay Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the

financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10436-005 through 1999-10436-006.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Lynchburg-Clay Local School District in a separate letter dated March 14, 2000.

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

March 14, 2000



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

Lynchburg-Clay Local School District  
Highland County  
263 North Main Street  
Lynchburg, Ohio 45142

To the Board of Education:

**Compliance**

We have audited the compliance of the Lynchburg-Clay Local School District, Highland County, Ohio (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 fiscal 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the fiscal 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

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

March 14, 2000



**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
(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)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010 National School Lunch Program, CFDA# 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**  
(Continued)

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-10436-001</b>
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Ohio Rev. Code, Section 135.22, states that subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State, if the District invests or deposits public funds into investments other than certain interim deposits and STAR Ohio. The Treasurer of State issues a certificate indicating that the Treasurer has completed the continuing education program. The District has several investments which requires the Treasurer to attend the Treasurer of State's continuing education program. However, the District's Treasurer did not attend the required training and was not awarded the continuing education certificate.

<b>Finding Number</b>	<b>1999-10436-002</b>
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Ohio Rev. Code, Section 5705.36, allows subdivisions to request amended certificates, which must be obtained from the County Budget Commission. The District Treasurer prepared an a amended certificate dated June 24, 1999, but it was not submitted or certified by the County Budget Commission. Therefore, the amended certificate was not official. This resulted in required adjustments to budgetary estimated receipts to reflect the amounts in the amended certificate dated March 26, 1999 that was approved by the County Budget Commission. The adjustments to the estimated receipts also resulted in budgetary citations that would have been avoided if the June 24, 1999 amended certificate was approved by the budget commission.

<b>Finding Number</b>	<b>1999-10436-003</b>
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Ohio Rev. Code, Section 5705.10, states that money paid into any fund shall be used only for the purposes for which such fund is established. Negative fund balances were found in some of the District's funds at month end throughout the year. The existence of a deficit balance in any fund indicates that monies of another fund have been used to pay the obligations of the fund reflecting the deficit. The Board of Education could have exercised the authority provided in Section 5705.14, Revised Code, to advance general operating monies for certain purposes until sufficient revenues are received.

<b>Finding Number</b>	<b>1999-10436-004</b>
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Ohio Rev. Code, Section 5705.10, requires all revenues derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. During the audit period, the Treasurer had posted many of the District's tax settlements incorrectly. Many tax settlements were posted to the incorrect funds, one was posted twice and one was not posted. The net effect of the tax settlement adjustments effected the June 30, 1999 fund balances as follows: General Fund decreased by \$85,047, Special Revenue Funds increased by \$1,532 and Debt Service Funds decreased by \$10,460. The District's Treasurer posted the corrections to the District's financial records while under audit. The Treasurer should take extra care when posting the District's tax settlements to assure they are credited to the proper funds.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**  
(Continued)

<b>Finding Number</b>	<b>1999-10436-005</b>
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The District is a member of the Ross County School Employees Insurance Consortium (RCSEIC) for health self-insurance purposes. The District pays premiums monthly to the RCSEIC who then pays the third party administrator (TPA) for District claims. The District receives summary reports and a listing of claims payments from the TPA that are utilized to post activity to the District's financial statements. The District receives no reports from the consortium. Appropriate monitoring controls were not in place at the District over the claims payment activity and the summary reports received from the TPA.

Lack of proper monitoring controls allowed erroneous summary reports, presented by the TPA, to be posted to the District's financial statements. (Material) adjustments have been posted to the accompanying financial statements to correct these errors.

The District should obtain from the RCSEIC a summary report and reconciliation of the District's activity with the RCSEIC. The District should monitor these reports and compare them with the TPA summary reports to insure accuracy prior to posting activity to the financial statements. The District should also review listings of claims the TPA has approved to help assure the beneficiary is eligible for the benefits (i.e., is a District employee or family member).

<b>Finding Number</b>	<b>1999-10436-006</b>
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The District Treasurer had not filed the following District's budgetary documents for fiscal year 2000. Temporary appropriations, annual appropriations and the Certificate of the Total Amount Available. Although resolutions were noted for approving the appropriations, it is still required that these documents be filed with the county auditor. To help strengthen the controls over the budgetary cycle of the District and to assure budgetary documents are official, the District should file the appropriate documents with the County Auditor on a timely basis.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 11, 2000**