MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Monroeville Local School District
Huron County
101 West Street
Monroeville, Ohio 44847-9797

To the Board of Education:

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

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

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

As discussed in Note 3 to the general-purpose financial statements, the District has changed its method of accounting for deferred compensation plans.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 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.

Jim Petro
Auditor of State

February 11, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash, cash equivalents and investments	$1,148,680	$137,880	$31,307	$45,112
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	2,054,960		21,488	92,124
Accounts	400			
Accrued interest	46			
Interfund loan receivable	77,511			
Prepayments	10,563	83		
Materials and supplies inventory	14,835			
Due from other governments		54,109		
Restricted assets:				
Equity in pooled cash and cash equivalents	50,525			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	**$3,357,520**	**$192,072**	**$52,795**	**$137,236**

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$103,312	$359	$36,521	$0	$0	$1,503,171
		11,096			11,096
					2,168,572
233					633
		52			98
					77,511
					10,646
7,744					22,579
					54,109
					50,525
12,316			3,216,721		3,229,037
				34,079	34,079
				217,627	217,627
$123,605	**$359**	**$47,669**	**$3,216,721**	**$251,706**	**$7,379,683**

(Continued)

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	$9,926	$17,723	$0	$4,815
Accrued wages and benefits	343,933	20,076		
Compensated absences payable	6,892			
Pension obligation payable	49,726	1,658		
Interfund loan payable		77,511		
Deferred revenue	1,798,583		18,716	82,825
Deposits held and due to others				
Due to students				
General obligation bonds payable				
Total liabilities	2,209,060	116,968	18,716	87,640
Equity and Other Credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	97,018	23,698		10,981
Reserved for supplies inventory	14,835			
Reserved for prepayments	10,563	83		
Reserved for debt service			31,307	
Reserved for tax revenue unavailable for appropriation	256,377		2,772	9,299
Reserved for scholarships				
Reserved for principal endowment				
Reserved for budget stabilization	50,525			
Unreserved-undesignated	719,142	51,323		29,316
Total equity and other credits	1,148,460	75,104	34,079	49,596
Total liabilities, equity and other credits	**$3,357,520**	**$192,072**	**$52,795**	**$137,236**

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$1,869	$0	$500	$0	$0	$34,833
12,464					376,473
5,646				189,628	202,166
5,223				23,078	79,685
					77,511
6,283		52			1,906,459
		79			79
		33,392			33,392
				39,000	39,000
31,485		34,023		251,706	2,749,598
			3,216,721		3,216,721
92,120	359				92,479
					131,697
					14,835
					10,646
					31,307
					268,448
		596			596
		10,500			10,500
					50,525
		2,550			802,331
92,120	359	13,646	3,216,721		4,630,085
$123,605	**$359**	**$47,669**	**$3,216,721**	**$251,706**	**$7,379,683**

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	$2,023,404	$0
Earnings on investments	69,025	535
Other local revenues	7,055	119,767
Other revenue		400
Intergovernmental - State	1,967,584	196,482
Intergovernmental - Federal		68,822
Total revenue	4,067,068	386,006
Expenditures:		
Current:		
Instruction:		
Regular	1,549,469	45,937
Special	160,492	58,118
Vocational	136,833	
Other	47,324	
Support services:		
Pupil	57,413	7,751
Instructional staff	109,215	2,180
Board of Education	7,451	335
Administration	304,008	3,763
Fiscal	295,751	9,474
Business	81,762	
Operations and maintenance	326,311	
Pupil transportation	200,455	
Central	1,135	3,945
Community services		65,494
Extracurricular activities	101,550	59,783
Facilities services		116,907
Debt service:		
Principal retirement	13,652	
Interest and fiscal charges	357	
Total expenditures	3,393,178	373,687
Excess of revenues over (under) expenditures	673,890	12,319
Other financing sources:		
Proceeds from sale of assets	75	
Excess of revenues and other financing sources over (under) expenditures	673,965	12,319
Fund balance, July 1	500,064	62,785
Decrease in reserve for inventory	(25,569)	
Fund balance, June 30	**$1,148,460**	**$75,104**

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

Governmental Fund Types		Fiduciary Fund Type	
Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
$21,211	$73,380	$0	$2,117,995
			69,560
		5,004	131,826
			400
2,563	73,307		2,239,936
			68,822
23,774	146,687	5,004	4,628,539
	14,936		1,610,342
			218,610
			136,833
	33,600		80,924
		5,454	70,618
			111,395
			7,786
			307,771
472	1,672	957	308,326
			81,762
			326,311
			200,455
			5,080
			65,494
			161,333
	99,692		216,599
18,000			31,652
2,304			2,661
20,776	149,900	6,411	3,943,952
2,998	(3,213)	(1,407)	684,587
			75
2,998	(3,213)	(1,407)	684,662
31,081	52,809	3,957	650,696
			(25,569)
$34,079	**$49,596**	**$2,550**	**$1,309,789**

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

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	$2,029,400	$2,029,477	$77	$0	$0	$0
Tuition	65	65				
Earnings on investments	69,000	69,022	22	500	535	35
Other local revenues	1,200	782	(418)	119,534	120,005	471
Other revenue				400	400	
Intergovernmental - State	1,965,754	1,967,584	1,830	195,562	142,373	(53,189)
Intergovernmental - Federal				68,822	68,822	
Total revenues	4,065,419	4,066,930	1,511	384,818	332,135	(52,683)
Expenditures:						
Current:						
Instruction:						
Regular	1,694,566	1,555,475	139,091	62,988	45,662	17,326
Special	181,470	157,614	23,856	60,197	52,008	8,189
Vocational	141,355	130,744	10,611			
Other	53,100	51,258	1,842			
Support services:						
Pupil	71,720	67,668	4,052	8,237	8,236	1
Instructional staff	137,945	127,750	10,195	2,346	2,346	
Board of Education	7,925	7,350	575	500	335	165
Administration	327,735	304,430	23,305	7,094	3,781	3,313
Fiscal	314,909	299,465	15,444	12,535	12,132	403
Business	150,417	130,953	19,464			
Operations and maintenance	340,090	334,152	5,938			
Pupil transportation	233,188	216,202	16,986			
Central	1,135	1,135		5,599	4,237	1,362
Community services				93,595	90,871	2,724
Extracurricular activities	106,905	101,113	5,792	74,278	70,426	3,852
Facilities services				116,907	116,907	
Debt service:						
Principal retirement	13,652	13,652				
Interest and fiscal charges	357	357				
Total expenditures	3,776,469	3,499,318	277,151	444,276	406,941	37,335
Excess of revenues over (under) expenditures	288,950	567,612	278,662	(59,458)	(74,806)	(15,348)
Other financing sources (uses):						
Refund of prior year's expenditures	7,800	7,816	16			
Refund of prior year's (receipts)				(1,760)	(1,760)	
Operating transfers in	33,030	33,030				
Operating transfers (out)	(33,489)	(33,030)	459			
Advances in	1,775	1,775			77,511	77,511
Advances (out)	(77,511)	(77,511)				
Proceeds of sale of fixed assets	75	75				
Total other sources (uses)	(68,320)	(67,845)	475	(1,760)	75,751	77,511
Excess of revenues and other sources over (under) expenditures and other (uses)	220,630	499,767	279,137	(61,218)	945	62,163
Fund balance, July 1	500,263	500,263		70,798	70,798	
Prior year encumbrances appropriated	92,230	92,230		24,896	24,896	
Fund balance, June 30	**$813,123**	**$1,092,260**	**$279,137**	**$34,476**	**$96,639**	**$62,163**

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$21,192	$21,080	($112)	$73,550	$73,598	$48	$2,124,142	$2,124,155	$13
						65	65	
						69,500	69,557	57
						120,734	120,787	53
						400	400	
2,450	2,562	112	73,185	73,307	122	2,236,951	2,185,826	(51,125)
						68,822	68,822	
23,642	23,642		146,735	146,905	170	4,620,614	4,569,612	(51,002)
			31,035	19,720	11,315	1,788,589	1,620,857	167,732
						241,667	209,622	32,045
						141,355	130,744	10,611
			33,600	33,600		86,700	84,858	1,842
						79,957	75,904	4,053
						140,291	130,096	10,195
						8,425	7,685	740
						334,829	308,211	26,618
550	471	79	1,700	1,671	29	329,694	313,739	15,955
						150,417	130,953	19,464
						340,090	334,152	5,938
						233,188	216,202	16,986
						6,734	5,372	1,362
						93,595	90,871	2,724
						181,183	171,539	9,644
20		20	130,151	115,259	14,892	247,078	232,166	14,912
18,000	18,000					31,652	31,652	
2,304	2,304					2,661	2,661	
20,874	20,775	99	196,486	170,250	26,236	4,438,105	4,097,284	340,821
2,768	2,867	99	(49,751)	(23,345)	26,406	182,509	472,328	289,819
						7,800	7,816	16
						(1,760)	(1,760)	
						33,030	33,030	
						(33,489)	(33,030)	459
						1,775	79,286	77,511
						(77,511)	(77,511)	
						75	75	
						(70,080)	7,906	77,986
2,768	2,867	99	(49,751)	(23,345)	26,406	112,429	480,234	367,805
28,440	28,440		27,471	27,471		626,972	626,972	
			25,191	25,191		142,317	142,317	
$31,208	**$31,307**	**$99**	**$2,911**	**$29,317**	**$26,406**	**$881,718**	**$1,249,523**	**$367,805**

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS(ACCUMULATED DEFICIT)/FUND BALANCE ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating revenues:		
Tuition and fees	$18,802	$0
Sales/charges for services	144,252	4,088
Investment earnings		
Other operating revenues	28	
Total operating revenues	163,082	4,088
Operating expenses:		
Personal services	92,153	
Contract services	2,598	974
Materials and supplies	109,899	2,682
Depreciation	790	
Total operating expenses	205,440	3,656
Operating income (loss)	(42,358)	432
Nonoperating revenues:		
Operating grants	49,245	
Investment earnings	1,561	
Federal Donated Commodities	17,397	
Total nonoperating revenues	68,203	
Net income	25,845	432
Retained earnings (accumulated deficit)/ fund balance July 1	66,275	(73)
Retained earnings June 30	**$92,120**	**$359**

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

Fiduciary Fund Type	
Nonexpendable Trust	Total (Memorandum Only)
$0	$18,802
	148,340
541	541
	28
541	167,711
	92,153
270	3,842
	112,581
	790
270	209,366
271	(41,655)
	49,245
	1,561
	17,397
	68,203
271	26,548
10,825	77,027
$11,096	**$103,575**

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

	Proprietary Fund Types	
	Enterprise	**Internal Service**
Cash flows from operating activities:		
Cash received from tuition and fees	$18,650	$0
Cash received from sales/service charges	144,209	4,088
Cash payments for personal services	(95,509)	
Cash payments for contract services	(2,598)	(974)
Cash payments supplies and materials	(90,708)	(2,682)
Net cash provided (used) by operating activities	(25,956)	432
Cash flows from noncapital financing activities:		
Cash received from operating grants	55,680	
Cash payments for interfund loans		(75)
Net cash provided (used) by noncapital financing activities	55,680	(75)
Cash flows used in capital and related financing activities:		
Acquisition of capital assets	(6,120)	
Cash flows from investing activities:		
Interest on cash equivalents	1,561	
Net increase in cash and cash equivalents	25,165	357
Cash and cash equivalents at beginning of year	78,147	2
Cash and cash equivalents at end of year	**$103,312**	**$359**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	($42,358)	$432
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	790	
Federal donated commodities	17,397	
Interest reported as operating revenue		
Changes in assets and liabilities:		
Decrease in supplies inventory	2,116	
Increase in accounts receivable	(223)	
Increase in accounts payable	1,769	
Decrease in accrued wages and benefits	(1,636)	
Decrease in compensated absences payable	(20)	
Decrease in pension obligation payable	(1,600)	
Decrease in deferred revenue	(2,191)	
Net cash provided (used) by operating activities	**($25,956)**	**$432**

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

Fiduciary Fund Type	
Nonexpendable Trust	Total (Memorandum Only)
$0	$18,650
	148,297
	(95,509)
(270)	(3,842)
	(93,390)
(270)	(25,794)
	55,680
	(75)
	55,605
	(6,120)
541	2,102
271	25,793
10,825	88,974
$11,096	**$114,767**
$271	($41,655)
	790
	17,397
(541)	(541)
	2,116
	(223)
	1,769
	(1,636)
	(20)
	(1,600)
	(2,191)
($270)	**($25,794)**

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Monroeville Local School District (the District) is located in Huron County and encompasses the Village of Monroeville and portions of surrounding townships in Huron County.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 565th largest by enrollment among the 612 districts in the State, and the smallest in Huron County. It currently operates 1 elementary school and 1 comprehensive high school. The District employs 25 non-certified and 48 certified employees to provide services to 788 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

1. Jointly Governed Organizations

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting the Erie Ottawa Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Northern Ohio Educational Computer Association (NOECA)

NOECA is a jointly governed organization among 41 school districts. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NOECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District made payments totaling $6,394 during fiscal year 1999 to NOECA for computer services.

2. Related Organization

Monroeville Public Library

The District appoints the trustees of the Library and approves its budget to comply with state code requirements, but is not involved in budgeting or management of the Library and does not subsidize and finance the operation of the Library.

The District also participates in two insurance group purchasing pools, described in Note 10.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt 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 of construction of major capital facilities (other than those financed by Proprietary Funds).

2. Proprietary Funds

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

3. Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency funds. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

4. Account Groups

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

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

All Proprietary funds and Nonexpendable Trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

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

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 1999 in the following amounts:

	Increase	Decrease
General Fund	$ 17,511	
Special Revenue Funds	342,919	
Capital Project Funds	64,585	

(Continued)

	Increase	Decrease
(Continued)		
Enterprise Funds	1,000	
Internal Service Fund	500	
Expendable Trust Fund	54	
Nonexpendable Trust Fund		250
Agency Fund	8,500	

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

   Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Proprietary funds are disclosed in the notes to the financial statements.

E. Cash and Investments

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

During 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit.

Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

The District assigns all investment earnings to the General Fund except those specifically related to the Auxiliary Services Fund, Nonexpendable Trust Fund, and the Food Service Fund. The General Fund was credited with $16,721 more interest than would have been received based upon its share of the District's investments during fiscal year 1999.

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

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than one year. During fiscal year 1999, the District changed its capitalization threshold from $250 to $500. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds and Nonexpendable Trust Funds

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

Asset	Life (years)
Furniture, Fixtures and Equipment	15 - 20

I. Intergovernmental Revenues

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

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Debt Service Fund
State Property Tax Relief

Capital Projects Fund
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
Teacher Development
Management Information Systems
Title VI-B
Title I
Title VI
Drug-Free School
Career Development
Preschool for the Handicapped
Auxiliary Services
Community Education
Instructional Materials Subsidy

Capital Projects Funds
SchoolNet

Reimbursable Grants

General Fund
School Bus Purchases

Proprietary
National School Lunch Program
National School Milk Program

Grants and entitlements amounted to approximately 48.7% of the District's operating revenue during the 1999 fiscal year.

J. Short-Term Interfund Receivables/Payables

At June 30, 1999 the District had short-term interfund loans which are classified as “interfund loans receivable/payable.” All such short-term interfund loans are made pursuant to Board of Education resolution and are repaid in the following fiscal year. An analysis of interfund balances is reflected in Note 5.

K. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

L. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, consumable inventory, budget stabilization, and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The unreserved portion of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

N. Statutory Reserves

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

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Balance, June 30, 1998	$ 0	$ 0	$ 21,351
Required Set-Aside	58,349	58,349	29,174
Offset Credits	(9,657)	(73,475)	0
Qualifying Expenditures	(94,329)	(38,980)	0
Total	(45,637)	(54,106)	50,525
Cash Balance Carried Forward to FY 2000	$ 0	$ 0	$ 50,525

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

O. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

P. Statement of Cash Flows

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Parochial Schools

Within the District boundaries, St. Joseph Elementary is operated through the Toledo Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a Special Revenue Fund for financial reporting purposes.

S. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See note 2.N. for statutory reserves.

T. 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.

U. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned (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 changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

In fiscal year 1999, the District implemented GASB Statement No. 32, Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans. Recent changes in the Internal Revenue Code require that deferred compensation plan assets be placed in trust for the exclusive benefit of employees and their beneficiaries by no later than January 1, 1999. Statement No. 32 provides that, upon the transfer of deferred compensation assets to such a trust, the employer is no longer considered the owner of the amounts deferred by employees under the deferred compensation plan. The Ohio Public Employees Deferred Compensation Plan during fiscal 1999 placed assets in trusts to comply with the above requirements, and accordingly, plan assets which totaled $40,595 as of June 30, 1999 have been excluded from the District's financial statements.

B. Fund balances at June 30, 1999 included the following individual fund deficit:

	Deficit Balance
Special Revenue Fund	
Title I	$(6,605)

This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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 any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

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

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

Cash on Hand:

At year end, the District had $150 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits:

At year-end the carrying amount of the District's deposits was $63,346 and the bank balance was $69,490 (both exclusive of payroll clearance accounts, and both including $10,000 in non-negotiable certificates of deposit). The bank balance was covered entirely by federal depository insurance.

Investments:

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

	Category	Reported Amount	Fair Value
Not Subject to Categorization:			
Investment in State Treasurer's Investment Pool	N/A	$ 1,501,296	$ 1,501,296

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	$ 1,564,792	$ 0
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(1,501,296)	1,501,296
Cash on Hand	(150)	0
GASB Statement No. 3	$ 63,346	$ 1,501,296

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and/or payable:

	Interfund Loan Receivable	Interfund Loan (Payable)
General Fund	$ 77,511	$ 0
Special Revenue Fund:		
Auxiliary Services	0	(53,190)
Title VI-B	0	(24,321)
Totals	$ 77,511	$ (77,511)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was $59,118,930. Agricultural/Residential and public utility real estate represented 70.5% or $41,697,290 of this total; Commercial & Industrial real estate represented 10.8% or $6,352,940 of this total, public utility tangible represented 6.0% or $3,556,320 of this total and general tangible property represented 12.7% or $7,512,380 of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was $45.10 per $1,000.00 of assessed valuation for operations, $1.80 per $1,000.00 of assessed valuation for permanent improvements, and $.40 per $1,000.00 of assessed valuation for debt service on the Monroeville Public Library general obligation bonds.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Huron County Treasurer collects property taxes on behalf of the District. The County Auditors periodically remit to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, 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, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts, and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - Current and Delinquent	$ 2,054,960
Debt Service Fund	
Taxes - Current and Delinquent	21,488
Capital Projects Funds	
Taxes - Current and Delinquent	92,124
Special Revenue Funds	
Intergovernmental Receivable	54,109

NOTE 8 - FIXED ASSETS

For the year ended June 30, 1999, the following correction of errors have resulted in restatements to fixed assets.

	Fixed Assets 6/30/98	Correction of Error	Restated Fixed Assets 6/30/98
Furniture/Equipment	$ 1,222,929	$ 242,696	$ 1,465,625
Vehicles	269,417	44,578	313,995

The error was due to the failure to report assets included in the District's financial records.

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land/Improvements	$ 14,100	$ 2,000	$ 0	$ 16,100
Buildings/Improvements	1,225,618	107,299	0	1,332,917
Furniture/Equipment	1,465,625	116,884	28,800	1,553,709
Vehicles	313,995	0	0	313,995
Total	$ 3,019,338	$ 226,183	$ 28,800	$ 3,216,721

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

Furniture and Equipment	$ 58,637
Less: Accumulated Depreciation	(46,321)
Net Fixed Assets	$ 12,316

NOTE 9 - LONG-TERM OBLIGATIONS

The General obligation bonds are voted issues for the Monroeville Public Library's improvement projects. The District services the Library's debt in accordance with Ohio statute. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from a .40 mill library tax levied on all taxable property in the District. Accordingly, such unmatured obligations are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund.

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the General fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes and loans without voter approval, and the subsequent repayment of the notes from operating revenues.

A. The following is a description of the District's note and bond outstanding as of June 30, 1999:

	Interest Rates	Issue Date	Maturity Date	Balance at 7/1/98	Retired in Fiscal 1999	Balance at 6/30/98
School Energy Conservation Note	5.20%	7/12/97	7/1/98	$ 13,652	$ 13,652	$ 0
General Obligation Bond (Library)	6.25%	11/1/87	12/1/00	57,000	18,000	39,000

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

Fiscal Year Ending	Principal on General Obligation Library Bonds	Interest on General Obligation Library Bonds	Total
2000	$ 19,000	$ 1,416	$ 20,416
2001	20,000	480	20,480
Total	$ 39,000	$ 1,896	$ 40,896

C. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Compensated Absences	$ 162,808	$ 41,915	$ 15,095	$ 189,628
Pension Obligation	25,484	23,078	25,484	23,078
General Obligation Library Bond	57,000	0	18,000	39,000
Energy Conservation Note	13,652	0	13,652	0
Total	$ 258,944	$ 64,993	$ 72,231	$ 251,706

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of $5,354,783 (including available funds of $34,079) and an unvoted debt margin of $59,119.

NOTE 10 - 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. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District provides employee health care benefits through membership in the Huron-Erie School Employees Insurance Association, a public entity risk management pool. Monthly payments are made to the Association for health, dental and vision insurance coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the Association will purchase stop-loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120 percent of the prior year's aggregate claims. Individual coverage cannot exceed $1,000,000 in claims during their lifetime. Financial information can be obtained by writing to the Erie County Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 Ohio School Boards Association. 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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will than 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 GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total
Operating revenue	$ 143,883	$ 19,199	$ 163,082
Depreciation	790	0	790
Operating income (loss)	(50,212)	7,854	(42,358)
Operating grants	49,245	0	49,245
Net income	17,991	7,854	25,845
Net working capital	71,604	15,349	86,953
Total assets	106,387	17,218	123,605
Total liabilities	29,616	1,869	31,485
Total equity	76,771	15,349	92,120
Encumbrances	480	3,871	4,351

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were $82,380, $63,395 and $74,117, respectively; 60 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and

1997. $32,544, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were $257,678, $234,724, and $271,166, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $41,776, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled $64,419 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2.156 billion at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were $219,224,000.

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

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

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, 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. For the District, the amount to fund health care benefits, including the surcharge, equaled $39,954 during the 1999 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	$ 499,767	$ 945	$ 2,867	$ (23,345)
Net adjustment for revenue accruals	138	53,871	132	(218)
Net adjustment for expenditure accruals	(804)	(7,987)	(1)	4,554
Net adjustment for other financing sources/(uses)	67,920	(75,751)		
Encumbrances (budget basis)	106,944	41,241		15,796
GAAP Basis	$ 673,965	$ 12,319	$ 2,998	$ (3,213)

NOTE 15 - CONTINGENT LIABILITIES

A. Grants

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

B. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received total support of $1,712,469.

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 June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 16 - SIGNIFICANT SUBSEQUENT EVENTS

Effective September 17, 1999, Nicole Spriggs resigned as Treasurer. On October 4, 1999, Cheryl Burkin was employed as Treasurer.

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

Monroeville Local School District
Huron County
101 West Street
Monroeville, Ohio 44847-9797

To the Board of Education:

We have audited the financial statements of the Monroeville Local School District, Huron County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 11, 2000 in which we noted the District changed the method of accounting for deferred compensation plans. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 11, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 11, 2000.

This report is intended for the information and use of the audit committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 11, 2000

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MONROEVILLE LOCAL SCHOOL DISTRICT

HURON 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
MARCH 14, 2000