

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

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

## TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants .....	1-2
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups .....	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types .....	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types .....	6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance Proprietary Fund Type and Nonexpendable Trust Fund .....	7
Combined Statement of Cash Flows Proprietary Fund Type and Nonexpendable Trust Fund .....	8
Notes to the General Purpose Financial Statements .....	9-37
Schedule of Federal Awards Receipts and Expenditures .....	38
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	39
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	40-41
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	42-43
Schedule of Findings .....	44-45



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
Osnaburg Local School District  
Stark County  
310 Browning Street  
East Canton, Ohio 44730

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over the printed name and title.

Jim Petro  
Auditor of State

January 27, 2000

OSNABURG LOCAL SCHOOL DISTRICT  
 STARK COUNTY, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General	Fixed Assets	Long-Term Obligations	General		
										General	
<b>ASSETS AND OTHER DEBITS</b>											
<b>ASSETS:</b>											
Equity in pooled cash and cash equivalents . . . . .	\$1,662,953	\$123,441	\$28,308	\$86,995	\$50,426						\$1,952,123
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .					66,911						66,911
Receivables (net of allowances of uncollectibles):											
Taxes - current and delinquent . . . . .	2,570,723										2,570,723
Accounts . . . . .	40,750										41,253
Due from other governments . . . . .	18,062			10,274							43,595
Interfund loan receivable . . . . .	5,225										5,225
Materials and supplies inventory . . . . .				8,903							8,903
Restricted assets:											
Equity in pooled cash and cash equivalents . . . . .	82,902										82,902
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .				12,361		\$3,225,818					3,238,179
<b>OTHER DEBITS:</b>											
Amount to be provided for retirement of general long-term obligations . . . . .								\$413,937			413,937
Total assets and other debits . . . . .	\$4,380,615	\$139,203	\$28,308	\$118,533	\$117,337	\$3,225,818		\$413,937			\$8,423,751

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

--Continued

OSNABURG LOCAL SCHOOL DISTRICT  
 STARK COUNTY, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Capital Projects			Enterprise	Trust and Agency	General		Long-Term Obligations	
								General			Fixed Assets
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>LIABILITIES:</b>											
Accounts payable . . . . .	\$5,164	\$2,178							\$7,342		
Accrued wages and benefits . . . . .	439,191	21,172	\$8	\$15,460					475,831		
Compensated absences payable . . . . .	7,324			3,545				\$243,988	254,857		
Pension obligation payable . . . . .	74,392	548		13,180				45,756	133,876		
Deferred revenue . . . . .	2,444,053			5,418					2,449,471		
Due to students . . . . .					\$30,338				30,338		
Accrued interest payable . . . . .	1,464								1,464		
Interfund loan payable . . . . .		5,225							5,225		
Obligation under capital lease . . . . .								68,728	68,728		
Judgement payable . . . . .								55,465	55,465		
<b>Total liabilities . . . . .</b>	<b>2,971,588</b>	<b>29,123</b>	<b>8</b>	<b>37,603</b>	<b>30,338</b>			<b>413,937</b>	<b>3,482,597</b>		
<b>EQUITY AND OTHER CREDITS:</b>											
Investment in general fixed assets . . . . .							\$3,225,818		3,225,818		
Retained earnings: unreserved . . . . .				80,930					80,930		
<b>Fund balances:</b>											
Reserved for encumbrances . . . . .	446,121	38,979	2,286						487,386		
Reserved for tax revenue unavailable for appropriation . . . . .	126,670								126,670		
Reserved for principal endowment . . . . .	65,827				38,000				38,000		
Reserved for budget stabilization . . . . .	17,075								65,827		
Reserved for school bus allocation . . . . .	753,334	71,101	26,014		48,999				17,075		
Unreserved-undesignated (deficit) . . . . .									899,448		
<b>Total equity and other credits . . . . .</b>	<b>1,409,027</b>	<b>110,080</b>	<b>28,300</b>	<b>80,930</b>	<b>86,999</b>		<b>3,225,818</b>		<b>4,941,154</b>		
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$4,380,615</b>	<b>\$139,203</b>	<b>\$28,308</b>	<b>\$118,533</b>	<b>\$117,337</b>		<b>\$3,225,818</b>	<b>\$413,937</b>	<b>\$8,423,751</b>		

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

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

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$2,441,237		\$42,676		\$2,483,913
Tuition . . . . .	149,199				149,199
Earnings on investments . . . . .	101,403			89	101,492
Other local revenues . . . . .	83,358	\$100,254		19,999	203,611
Other revenue . . . . .		3,962			3,962
Intergovernmental - State . . . . .	3,371,144	37,790	590,194		3,999,128
Intergovernmental - Federal . . . . .	8,311	316,812			325,123
<b>Total revenue . . . . .</b>	<b>6,154,652</b>	<b>458,818</b>	<b>632,870</b>	<b>20,088</b>	<b>7,266,428</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	2,173,575	168,351	9,910		2,351,836
Special . . . . .	406,817	94,106	60,033		560,956
Vocational . . . . .	100,889				100,889
Other . . . . .	449,345				449,345
Support services:					
Pupil . . . . .	112,111	36,261			148,372
Instructional staff . . . . .	58,217	49,971	2,677		110,865
Board of Education . . . . .	13,768				13,768
Administration . . . . .	393,969	8,422			402,391
Fiscal . . . . .	165,707				165,707
Business . . . . .	105,351				105,351
Operations and maintenance . . . . .	407,295	12,961	972		421,228
Pupil transportation . . . . .	352,510				352,510
Central . . . . .	27,649	5,420			33,069
Community services . . . . .	9,690				9,690
Extracurricular activities . . . . .	108,120	105,784			213,904
Facilities acquisition and construction . . . . .	55,596		497,125		552,721
Capital outlay . . . . .	115,507				115,507
Debt service:					
Principal retirement . . . . .	16,307				16,307
Interest and fiscal charges . . . . .	35,855		1,831		37,686
<b>Total expenditures . . . . .</b>	<b>5,108,278</b>	<b>481,276</b>	<b>572,548</b>		<b>6,162,102</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,046,374	(22,458)	60,322	20,088	1,104,326
Other financing sources (uses):					
Operating transfers in . . . . .	3,995	12,000			15,995
Operating transfers out . . . . .	(12,000)				(12,000)
Proceeds of capital lease transaction . . . . .	115,507				115,507
Proceeds from sale of fixed assets . . . . .	1,659				1,659
<b>Total other financing sources (uses) . . . . .</b>	<b>109,161</b>	<b>12,000</b>			<b>121,161</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses . . . . .	1,155,535	(10,458)	60,322	20,088	1,225,487
Fund balances (deficit), July 1 . . . . .	253,492	120,538	(32,022)	0	342,008
Fund balances, June 30 . . . . .	\$1,409,027	\$110,080	\$28,300	\$20,088	\$1,567,495

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

**OSNABERG LOCAL SCHOOL DISTRICT**  
**STARK COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	General			Special Revenue			Debt Service			Capital Projects			Expendable Trust			Total (Non-revenue only)				
	Revised	Actual	Variance: Favorable (Unfavorable)	Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)		
	Budget			Budget																
<b>Revenues:</b>																				
From local sources:																				
Taxes	\$1,951,920	\$2,027,382	\$75,462		\$430,630	\$430,630	\$0	\$0	\$0	\$430,630	\$430,630	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Tuition	121,000	149,798	28,798																	
Earnings on investments	100,000	101,403	1,403																	
Other local revenues	37,030	46,188	9,158	\$101,804	\$100,377	(\$1,427)														
Other revenue				4,000	3,962	(38)														
Inter-governmental - State	3,331,298	3,353,631	22,333	36,977	37,790	813														
Inter-governmental - Federal	8,100	8,311	211	347,618	301,553	(46,065)														
Total revenues	5,949,368	5,686,713	(262,655)	490,399	443,682	(46,717)														
<b>Expenditures:</b>																				
Current:																				
Instructive:																				
Regular	2,222,965	2,187,949	35,016	224,790	223,237	1,253														
Special	406,590	406,581	9	106,085	105,275	810														
Vocational	109,993	109,989	4																	
Other	554,994	484,294	70,700																	
Support services:																				
Personnel	108,943	108,330	613	36,229	36,099	30														
Instructional mat.	93,979	93,909	2,070	60,995	60,938	37														
Board of Education	10,001	8,988	1,013																	
Administrative	419,057	417,550	1,507	8,425	8,425	0														
Physical	169,007	167,307	1,700	13,616	13,616	0														
Business	111,130	106,131	4,999	5,075	5,075	0														
Operations and maintenance	463,066	414,972	18,094																	
Capital transportation	466,275	458,353	7,922																	
Contract	51,188	39,188	12,000																	
Community services	9,859	9,853	200	120,674	112,056	8,618														
Extracurricular activities	104,324	104,324	0																	
Facilities acquisition and construction	340,206	338,206	2,000																	
Debt service:																				
Principal retirement																				
Interest and fiscal charges																				
Total expenditures	5,617,771	5,459,924	157,847	573,889	565,141	10,748														
Excess (deficiency) of revenues over (under) expenditures	(68,403)	226,789	295,192	(85,490)	(121,459)	(35,969)														
Other financing sources (uses):																				
Refund of prior year's expenditures		(4,159)	(4,159)	1,000	999	(61)														
Operating transfers in	0	3,995	3,995	12,000	12,000	0														
Operating transfers (out)	(12,000)	(12,000)	0	0	5,225	5,225														
Advances in				0	5,225	5,225														
Advances (out)	(5,225)	(5,225)	0	13,000	18,164	5,164														
Proceeds from sale of fixed assets	5,000	1,659	(3,341)																	
Total other financing sources (use)	(12,225)	(15,730)	(3,505)																	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing	(80,628)	211,059	291,687	(72,490)	(105,295)	(30,805)														
Fund balances, July 1	967,250	967,250	0	140,486	140,386	0														
Prior year encumbrances appropriated	119,242	119,242	0	47,013	47,013	0														
Fund balances, June 30	\$1,005,864	\$1,297,551	\$291,687	\$115,099	\$84,204	(\$30,805)														

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



**OSNABURG LOCAL SCHOOL DISTRICT**  
**STARK COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS/FUND BALANCE**  
**PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating revenues:</b>			
Tuition and fees . . . . .	\$900		\$900
Sales/charges for services . . . . .	194,914	\$1,328	196,242
Investment earnings . . . . .		3,595	3,595
<b>Total operating revenues . . . . .</b>	<b>195,814</b>	<b>4,923</b>	<b>200,737</b>
<b>Operating expenses:</b>			
Personal services . . . . .	119,697		119,697
Contract services . . . . .	8,061	572	8,633
Materials and supplies . . . . .	137,121	670	137,791
Depreciation . . . . .	1,146		1,146
Other operating expenses . . . . .	245	610	855
<b>Total operating expenses . . . . .</b>	<b>266,270</b>	<b>1,852</b>	<b>268,122</b>
<b>Operating income (loss) . . . . .</b>	<b>(70,456)</b>	<b>3,071</b>	<b>(67,385)</b>
<b>Nonoperating revenues:</b>			
Operating grants . . . . .	88,324		88,324
Investment earnings . . . . .	1,117		1,117
Federal commodities . . . . .	14,106		14,106
Other nonoperating revenues . . . . .	2,477		2,477
<b>Total nonoperating revenues . . . . .</b>	<b>106,024</b>		<b>106,024</b>
<b>Net income before operating transfers . . . . .</b>	<b>35,568</b>	<b>3,071</b>	<b>38,639</b>
<b>Operating transfers out . . . . .</b>	<b>(3,995)</b>		<b>(3,995)</b>
<b>Net income . . . . .</b>	<b>31,573</b>	<b>3,071</b>	<b>34,644</b>
<b>Retained earnings/fund balance at July 1 . . . . .</b>	<b>49,357</b>	<b>63,840</b>	<b>113,197</b>
<b>Retained earnings/fund balance at June 30 . . . . .</b>	<b>\$80,930</b>	<b>\$66,911</b>	<b>\$147,841</b>

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

**OSNABURG LOCAL SCHOOL DISTRICT**  
**STARK COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees . . . . .	\$900		\$900
Cash received from sales/service charges . . . . .	194,914	\$1,328	196,242
Cash payments for personal services . . . . .	(116,794)	(572)	(117,366)
Cash payments for contract services . . . . .	(8,187)	(670)	(8,857)
Cash payments for materials and supplies . . . . .	(124,235)		(124,235)
Cash payments for other expenses . . . . .	(245)	(610)	(855)
<b>Net cash used in operating activities . . . . .</b>	<b>(53,647)</b>	<b>(524)</b>	<b>(54,171)</b>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants . . . . .	78,050		78,050
Transfers out to other funds . . . . .	(3,995)		(3,995)
<b>Net cash provided by noncapital financing activities . . . . .</b>	<b>74,055</b>		<b>74,055</b>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	1,117	3,595	4,712
<b>Net cash provided by investing activities . . . . .</b>	<b>1,117</b>	<b>3,595</b>	<b>4,712</b>
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>21,525</b>	<b>3,071</b>	<b>24,596</b>
Cash and cash equivalents at beginning of year . . . . .	65,470	63,840	129,310
Cash and cash equivalents at end of year . . . . .	<u>\$86,995</u>	<u>\$66,911</u>	<u>\$153,906</u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>			
Operating income (loss) . . . . .	(\$70,456)	\$3,071	(\$67,385)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation . . . . .	1,146		1,146
Federal donated commodities . . . . .	14,106		14,106
Interest reported as operating income . . . . .		(3,595)	(3,595)
Changes in assets and liabilities:			
Increase in materials and supplies inventory . . . . .	(171)		(171)
Decrease in accounts payable . . . . .	(796)		(796)
Increase in accrued wages and benefits . . . . .	2,693		2,693
Increase in compensated absences payable . . . . .	363		363
Decrease in pension obligation payable . . . . .	(153)		(153)
Decrease in deferred revenue . . . . .	(379)		(379)
<b>Net cash used in operating activities . . . . .</b>	<b>(53,647)</b>	<b>(524)</b>	<b>(54,171)</b>

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

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

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

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

The District is located in East Canton, Ohio, Stark County. It is staffed by 41 non-certificated employees, 65 certificated employees who provide services to 1,046 students and other community members. The District operates one elementary school (K-3), one middle school (4-8) and a high school (9-12).

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

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

**A. Reporting Entity**

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

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

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

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

*JOINT VENTURE WITHOUT EQUITY INTEREST*

Stark Portage Area Computer Consortium (SPARCC)

SPARCC is a joint venture among 31 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 among member districts. Each of the governments of these schools supports SPARCC 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 contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in SPARCC as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 39<sup>th</sup> Street NW, Canton, Ohio 44709-2300.

*JOINTLY GOVERNED ORGANIZATION*

Stark County Schools Council (Council)

The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of fifteen Stark County school districts. The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool.

**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.

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

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

**B. Fund Accounting(Continued)**

*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 - The 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 Fund - The debt service fund is 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 or trust funds).

*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 - The 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.

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

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

**B. Fund Accounting**

*FIDUCIARY FUNDS*

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

*ACCOUNT GROUPS*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of 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 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 the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the 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.

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

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

**C. Measurement Focus/Basis of Accounting(Continued)**

The modified accrual basis of accounting is followed for governmental 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.

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

The 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 exception: 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 the nonexpendable trust fund 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. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

**D. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board 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.

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

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

**D. Budgets(Continued)**

2. By no later than January 20, the board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board 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 at the fund level of expenditures, which is the legal level 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 must be approved by the Board.
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 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 throughout 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 1999, however none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.



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

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

**D. Budgets(Continued)**

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 appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 14 discloses encumbrances outstanding for enterprise funds at fiscal year end.

**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 and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During fiscal year 1999, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value which is based on quoted market prices.

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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 1999 totaled \$101,403, which included \$16,243 assigned from other funds of the District.

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

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

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

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

**F. Inventory**

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. Prepayments**

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

**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. 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

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 for furniture, fixtures and equipment over the estimated useful lives between 5-20 years.

**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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

School Bus Purchase Reimbursement

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

I. Intergovernmental Revenues(Continued)

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development  
Education Management Information Systems  
Disadvantaged Pupil Impact Aid  
Instructional Materials Subsidy  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools  
Raising the Bar

Capital Projects Fund

School Net  
Technology Equity  
Emergency School Building Repair

Reimbursable Grants

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 58% of the District's operating revenue during the 1999 fiscal year.

J. 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 sick pay 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 sick pay for employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

**J. Compensated Absences(Continued)**

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

Accumulated vacation and sick pay 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.

**K. Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than two months after year-end are generally considered not to have been paid with current available financial resources. Capital leases are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

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

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

**L. Fund Balance Reserves**

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, tax advance unavailable for appropriation, budget stabilization and the School bus allocation. 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. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

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

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

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

An analysis of interfund transactions is presented in Note 5.

**N. Estimates**

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

**O. 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 the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 19 for detail of statutory reserves.

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

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

**P. Memorandum Only - Total Columns**

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Agency Funds**

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

ASSETS

Accounts receivable	\$ 80
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LIABILITIES

Accounts payable	200
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classifies 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 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 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

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

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

established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. 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 in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

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

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

*Cash on Hand:* At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the combined 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 custodial credit 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 \$(62,674) and the bank balance was \$54,315. The entire bank balance was covered by FDIC. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* Investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. 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, but not in the District's name.

The District had an investment of \$2,164,560 in STAR Ohio at June 30, 1999. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 2,101,936	\$ ---
Investments of the cash management pool:		
Investment in STAR Ohio	(2,164,560)	2,164,560
Cash on hand	(50)	---
GASB Statement No. 3	\$ (62,674)	\$2,164,560



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

**NOTE 5 - INTERFUND TRANSACTIONS**

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$5,225	\$ - - -
<u>Special Revenue Fund</u> Title VI-B	- - -	5,225
Total	<u>\$5,225</u>	<u>\$5,225</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,995	\$12,000
<u>Special Revenue Funds</u> District Managed Student Activity	12,000	- - -
<u>Enterprise Funds</u> Uniform School Supplies	- - -	3,995
Total	<u>\$15,995</u>	<u>\$15,995</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes, attached as a lien on December 31 of the prior year were levied April 1, and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

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

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

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

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

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. At June 30, 1999, the amount available as an advance, and recorded as revenue, was \$126,670 in the General Fund.

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 assessed value upon which the 1999 taxes were collected was \$68,316,551. Agricultural/residential and public utility/minerals real estate represented 73.09% or \$49,934,170 of this total; commercial and industrial real estate represented 8.80% or \$6,017,840 of this total; public utility tangible represented 6.74% or \$4,605,130 of this total; and general tangible property represented 11.37% or \$7,759,411 of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$59.50 per \$1,000.00 of assessed valuation for operations.

**NOTE 7 - RECEIVABLES**

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

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

**NOTE 7 - RECEIVABLES(Continued)**

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$2,570,723
Accounts	40,750
Due from other governments	18,062
Interfund loan	5,225
 <u>Special Revenue Funds</u>	
Due from other governments	15,259
 <u>Enterprise Funds</u>	
Due from other governments	10,274

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

The general fixed assets account group has been re-stated as of July 1, 1998 due to errors and omissions in the reporting of certain capital assets.

	<u>Balance June 30, 1998</u>	<u>Correction</u>	<u>Restated Balance July 1, 1998</u>
Land	\$ 44,405	\$ 15,329	\$ 59,734
Buildings	1,224,075	---	1,224,075
Furniture/ equipment	807,226	(55,564)	751,662
Vehicles	<u>385,687</u>	<u>(53,187)</u>	<u>332,500</u>
Total	<u>\$2,461,393</u>	<u>\$(93,422)</u>	<u>\$2,367,971</u>

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

**NOTE 8 - FIXED ASSETS(Continued)**

**A. General Fixed Assets(Continued)**

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

	Restated Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Land	\$ 59,734	\$ 14,386	\$ ---	\$ 74,120
Buildings	1,224,075	469,800	---	1,693,875
Construction In Progress	---	52,583	---	52,583
Furniture/ equipment	751,662	350,855	81,320	1,021,197
Vehicles	<u>332,500</u>	<u>51,543</u>	<u>---</u>	<u>384,043</u>
Total	<u>\$2,367,971</u>	<u>\$939,167</u>	<u>\$ 81,320</u>	<u>\$3,225,818</u>

**B. Proprietary Fixed Assets**

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

Furniture and equipment	\$ 63,013
Less: accumulated depreciation	<u>(50,652)</u>
Net fixed assets	<u>\$ 12,361</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for copier equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for all Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of copier equipment have been capitalized in the general fixed assets account group in an amount of \$115,507. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 1999 fiscal year totaled \$13,746.

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

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**(Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 1999:

<u>Year Ending June 30,</u>	<u>General Long-Term Obligation</u>
2000	\$ 19,341
2001	19,341
2002	19,341
2003	19,341
2004	<u>3,224</u>
Total minimum lease payments	80,588
Less: amount representing interest	<u>(11,860)</u>
Present value of minimum lease payments	<u>\$ 68,728</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. Changes in long-term obligations of the District during fiscal year 1999 were as follows:

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Compensated absences	\$180,742	\$ 63,246	\$ ---	\$243,988
Pension obligation payable	53,750	45,756	(53,750)	45,756
Judgement Payable	0	55,465	0	55,465
Obligation under capital lease	<u>19,156</u>	<u>68,728</u>	<u>(19,156)</u>	<u>68,728</u>
<b>TOTAL</b>	<u>\$253,648</u>	<u>\$233,195</u>	<u>\$(72,906)</u>	<u>\$413,937</u>

Compensated absences and the pension obligation, which represents contractually required pension contributions paid outside the available period, will be paid from the fund from which the employee is paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Capital lease obligations will be paid from the general fund.

The Judgement Payable amount is the result of a Court Ruling which required the District to make payment for back wages to a former employee. See Note 18B.

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

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

**B. 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 \$6,148,490 and an unvoted debt margin of \$68,317.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn twelve to twenty-two days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 210 through 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, classified employees and certified employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 285 days.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program.

**NOTE 12 - NOTES PAYABLE**

In prior years, the District obtained energy conservation loans to provide for energy improvements to various District buildings. The primary source of repayment is through energy savings as a result of the improvements.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the General Fund and Energy Conservation for Institutional Buildings Capital Projects Fund. During fiscal year 1999, the District repaid the tax anticipation note and the energy conservation loans.

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

**NOTE 12 - NOTES PAYABLE(Continued)**

The following is a description of the District's loans and note activity for fiscal year 1999:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Balance July 1, 1998</u>	<u>Retired In 1999</u>	<u>Balance June 30, 1999</u>
<u>General Fund:</u>					
Energy Conservation Loan	4.95%	08/02/93	\$ 72,295	\$ (72,295)	\$ 0
Tax Anticipation Note	5.48%	05/28/97	295,720	(295,720)	0
<u>Capital Projects Funds:</u>					
Energy Conservation Loan	6.35%	06/24/97	<u>40,845</u>	<u>(40,845)</u>	<u>0</u>
Total			<u>\$ 408,860</u>	<u>\$(408,860)</u>	<u>\$ 0</u>

**NOTE 13 - RISK MANAGEMENT**

**A. Comprehensive**

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 has contracted with Indiana Insurance for property, general and excess liability insurance. Nationwide insurance also covers boiler and machinery, inland marine, audio/visual equipment and musical instruments, with a \$5,000 deductible. A \$1,000 deductible applies to boiler coverage only.

Professional liability is protected by Nationwide Insurance with a \$2,000,000 single occurrence, \$5,000,000 aggregate and no deductible. Vehicles are also covered by Indiana Insurance and have a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability and vehicle liability both have a \$1,000,000 single limit of liability.

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

**B. Workers' Compensation**

For fiscal year 1999, the District participated in the Stark County Schools Council's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2). 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 then either receive money from or be required to contribute to the "Group Savings Fund". This "group savings" arrangement

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

**NOTE 13 - RISK MANAGEMENT**

**B. Workers' Compensation(Continued)**

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 CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Group Health Insurance**

The District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of fifteen Stark County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health and dental premiums of \$517.26 for family coverage and \$212.56 for single coverage per employee per month.

**NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies and adult education. 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.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$194,914	\$ - - -	\$ 900	\$195,814
Operating expenses before depreciation	263,412	1,252	460	265,124
Depreciation	1,146	- - -	- - -	1,146
Operating income (loss)	(69,644)	(1,252)	440	(70,456)
Operating grants	88,324	- - -	- - -	88,324
Federal donated commodities	14,106	- - -	- - -	14,106
Net income (loss)	36,380	(5,247)	440	31,573
Net working capital	78,941	- - -	1,328	80,269
Total assets	117,205	- - -	1,328	118,533



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

**NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS(Continued)**

Total liabilities	37,599	---	4	37,603
Total equity	79,606	---	1,324	80,930
Encumbrances outstanding at June 30, 1999	2,589	---	---	2,589

**NOTE 15 - 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 (SERB). SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes 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 of which the Board pays 6% and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The District pays six percent of the nine percent member contribution as an employee benefit. 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 \$159,869, \$134,791, and \$144,426, respectively; 67.1 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$52,584 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District 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.

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

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**(Continued)

**B. State Teachers Retirement System**(Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary which is paid by the Board 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 \$566,944, \$389,848, and \$570,893, respectively; 89.6 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$59,088 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security System**

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

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year, the Board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$43,356 during fiscal 1999.

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

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 3.5 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets

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

**NOTE 16 - POSTEMPLOYMENT BENEFITS(Continued)**

available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$38,296 during the 1999 fiscal year.

**NOTE 17 - 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:

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

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING(Continued)**

**Excess of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

**Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	\$ 211,059	\$(103,295)	\$ 0	\$17,141	\$20,088
Net adjustment for revenue accruals	467,939	15,136	(430,630)	42,676	---
Net adjustment for expenditure accruals	18,850	44,628	430,630	(1,781)	---
Net adjustment for other financing sources (uses)	9,384	(6,164)	---	---	---
Encumbrances (budget basis)	<u>448,303</u>	<u>39,237</u>	<u>---</u>	<u>2,286</u>	<u>---</u>
GAAP basis	<u>\$1,155,535</u>	<u>\$(10,458)</u>	<u>\$ 0</u>	<u>\$60,322</u>	<u>\$20,088</u>

**NOTE 18 - CONTINGENCIES**

**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. Litigation**

The District is a defendant in a lawsuit filed in March of 1995, by the former Principal of East Canton High School, alleging breach of contract, defamation, tortious interference with an employment contract, and violation of due process rights. The former Principal is seeking \$500,000 in compensatory damages and punitive damages.

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

**NOTE 18 - CONTINGENCIES(Continued)**

**B. Litigation(Continued)**

On January 13, 1997, Stark County Court of Appeals decided in favor of the Board of Education on the sunshine law and due process issues.

On May 19, 1999, the Ohio Supreme Court determined the former Principal enjoyed a continuing contract status as a teacher in the District after the nonrenewal of his administrative contract. Accordingly, the Board of Education has reinstated the former Principal as a teacher during fiscal year 2000 and has paid all back pay due totaling \$55,465 on December 3, 1999.

As a result of this ruling, the District has accrued a liability in the amount of \$55,465 in the District's General Long-Term Obligation Account Group as of June 30, 1999.

The remaining issued to be tried is that of defamation. The Board of Education is vigorously contesting this allegation. An insurance defense is being provided to the claim. Absent a recovery in excess of insurance policy limits, the Board of Education should incur no additional liability with respect to this case.

**C. State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,901,865 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, 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 that effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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

**NOTE 19 - STATUTORY RESERVES**

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$26,956
Current year set-aside requirement	77,431	77,431	38,715
Current year offsets	(13,427)	---	---
Qualifying disbursements	(138,262)	(99,657)	---
FY 1999 Additional Worker's Comp Refund	<u>0</u>	<u>0</u>	<u>156</u>
Total	<u>\$ (74,258)</u>	<u>\$(22,226)</u>	<u>\$65,827</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	\$65,827
Amount Restricted for School Bus Replacement			<u>17,075</u>
Total Restricted Assets			<u>\$82,902</u>

Although the District had offset 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 next fiscal year.

**NOTE 20 - YEAR 2000 ISSUE**

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

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

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and

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

**NOTE 20 - YEAR 2000 ISSUE**(Continued)

employee benefits, the State of Ohio Equipment Inventory System for its fixed assets accounting and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

Stark County collects property taxes for distribution to the School District. Stark County is responsible for remediating their respective tax collection system.

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

To the best of management's knowledge and belief, as of January 27, 2000, the District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY

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

<u>Federal Grantor / Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. Department of Education</u> <i>Passed Through Ohio</i> <i>Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 98C C1-S1 98 C1-S1 99	84.010	\$9,056 (9,056) 91,589	\$0 0 0	\$9,056 17,020 75,638	\$0 0 0
Total Title I Grants to Local Educational Agencies			91,589	0	101,714	0
Special Education Grants to States	6B-SF 98 6B-SF 99	84.027	0 35,645	0 0	8,985 40,840	0 0
Total Special Education Grants to States			35,645	0	49,825	0
Safe and Drug-Free Schools and Communities State Grants	DR-S1 97C DR-S1 98 DR-S1 99	84.186	0 0 3,061	0 0 0	1,210 2,057 1,406	0 0 0
Total Safe and Drug-Free Schools and Communities State Grants			3,061	0	4,673	0
Goals 2000 State and Local Education Systematic Improvement	GS-S2 99	84.276	5,000	0	0	0
Total Goals 2000 State and Local Education Systematic Improvement			5,000	0	0	0
Eisenhower Professional Development State Grants	MS-S4 99	84.281	0	0	365	0
Total Eisenhower Professional Development State Grants			0	0	365	0
Innovative Education Program Strategies	C2-S1 97 C2-S1 98 C2-S1 99	84.298	0 0 3,758	0 0 0	2,142 0 231	0 0 0
Total Innovative Education Program Strategies			3,758	0	2,373	0
Technology Literacy Challenge Fund Grants	TF-S2 98 (Round 1) TF-S2 99 (Round 2) TF-S2 99 (Round 3)	84.318	0 100,000 62,500	0 0 0	100,999 100,000 35,951	0 0 0
Total Technical Literacy Challenge Fund			162,500	0	236,950	0
<b>Total Department of Education</b>			<b>301,553</b>	<b>0</b>	<b>395,900</b>	<b>0</b>
<u>U.S. Department of Agriculture</u> <i>Passed Through Ohio</i> <i>Department of Agriculture:</i>						
Food Distribution	N/A	10.550	0	14,106	0	14,106
School Breakfast Program	N/A	10.553	3,378	0	3,378	0
National School Lunch Program	N/A	10.555	70,439	0	70,439	0
Total Child Nutrition Cluster			73,817	14,106	73,817	14,106
<b>Total U.S. Department of Agriculture</b>			<b>73,817</b>	<b>14,106</b>	<b>73,817</b>	<b>14,106</b>
<b>Totals</b>			<b>375,370</b>	<b>14,106</b>	<b>469,717</b>	<b>14,106</b>

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



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

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities valued at \$5,418 in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 330-471-0001

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

Board of Education  
Osnaburg Local School District  
Stark County  
310 Browning Street  
East Canton, Ohio 44730

To the Board of Education:

We have audited the financial statements of Osnaburg Local School District, Stark County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated January 27, 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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-11276-001.

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 the reportable condition described above is not a material weaknesses. 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 District in a separate letter dated January 27, 2000.

Osnaburg Local School District  
Stark County  
Report on Compliance and on Internal Control Required By  
*Government Auditing Standards*  
Page 2

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

January 27, 2000



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

Board of Education  
Osnaburg Local School District  
Stark County  
310 Browning Street  
East Canton, Ohio 44730

To the Board of Education:

**Compliance**

We have audited the compliance of Osnaburg Local School District, Stark County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are 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 with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to its major federal programs 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

January 27, 2000

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505

JUNE 30, 1999

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program (list):	Technology Literacy Challenge Grant, CFDA #84.318, Food Distribution, CFDA 10.550, School Breakfast Program, CFDA 10.553, and National School Lunch Program, CFDA 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others programs
(d)(1)(ix)	Low Risk Auditee?	No

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

**Reportable Condition**

<b>Finding Number</b>	<b>1999-11276-001</b>
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Fixed Asset Recommendation

The District does not maintain a comprehensive, detailed fixed asset listing that summarizes fixed assets by asset classification. Instead, the Treasurer maintains certain inventory listings only for furniture and fixtures. As a result, there is a lack of accountability and monitoring control by the District over the purchase, sale and movement of fixed assets within the District. However, the value of the District's land, vehicles, and buildings was subsequently compiled and presented for audit.

The District should develop a comprehensive system for recording and tracking fixed assets. The detailed fixed asset listing should not only provide a description and cost for the fixed asset but should identify the location of the asset and, if possible, an identification or tag number. In addition, the fixed assets recorded within the annual financial statements should be reconciled to the detailed fixed asset listing annually. This will help ensure District fixed assets are properly accounted for, and monitored by, the Treasurer.

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

None



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OSNABURG LOCAL SCHOOL DISTRICT, STARK COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*  
Clerk of the Bureau

Date: FEB 08 2000