



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Triad Local School District
Champaign County
7920 Brush Lake Road
North Lewisburg, Ohio 43060

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Triad Local School District, Champaign 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 Triad Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

JIM PETRO
Auditor of State

December 24, 1999

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 912,782	\$ 267,882	\$ 75,447	\$ 229,211
Receivables :				
Property Taxes	1,291,220		36,206	
Income Taxes	271,316			
Accounts	3,798	9,347		
Intergovernmental -State	6,231			
Intergovernmental -Federal				
Accrued Interest	15,183			
Inventory				
Prepaid items	23,933			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	68,608			
Fixed Assets(Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	<u>\$2,593,071</u>	<u>\$277,229</u>	<u>\$111,653</u>	<u>\$229,211</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 53,725	\$ 33,258			\$ 1,572,305
				1,327,426
				271,316
	1,111			14,256
213				6,444
4,740				4,740
	67			15,250
2,400				2,400
967				24,900
				68,608
42,297		3,980,369		4,022,666
			78,244	78,244
			983,309	983,309
<u>\$104,342</u>	<u>\$34,436</u>	<u>\$3,980,369</u>	<u>\$1,061,553</u>	<u>\$8,391,864</u>

(continued)

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$28,101	\$5,348	\$0	\$101,438
Accrued Wages Payable	390,290	10,709		
Intergovernmental Payable	145,123	685		
Due to students				
Deferred revenue	1,197,864		33,409	
Compensated Absences Payable				
Capital Leases Payable				
Loans Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>1,761,378</u>	<u>16,742</u>	<u>33,409</u>	<u>101,438</u>
Fund Equity & Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	93,356		2,797	
Reserved for Budget Stabilization	68,608			
Reserved for Encumbrances	2,264	4,807		4,560
Reserved for Prepaid items	23,933			
Unreserved	643,532	255,680	75,447	123,213
Total Fund Equity and Other Credits	<u>831,693</u>	<u>260,487</u>	<u>78,244</u>	<u>127,773</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,593,071</u>	<u>\$277,229</u>	<u>\$111,653</u>	<u>\$229,211</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$54	\$147			\$135,088
10,409				411,408
13,957				159,765
	26,041			26,041
1,434				1,232,707
12,483			334,585	347,068
			79,561	79,561
			517,207	517,207
			50,200	50,200
			80,000	80,000
<u>38,337</u>	<u>26,188</u>		<u>1,061,553</u>	<u>3,039,045</u>
		3,980,369		3,980,369
25,070				25,070
40,935				40,935
				96,153
				68,608
				11,631
				23,933
	8,248			1,106,120
<u>66,005</u>	<u>8,248</u>	<u>3,980,369</u>		<u>5,352,819</u>
<u>\$104,342</u>	<u>\$34,436</u>	<u>\$3,980,369</u>	<u>\$1,061,553</u>	<u>\$8,391,864</u>

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

	Governmental Fund Types				Fiduciary Fund	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$ 1,056,398		\$ 32,207			\$ 1,088,605
Income Taxes	831,149					831,149
Tuition & Fees	3,296					3,296
Interest	81,138				458	81,596
Sales	1,313	174,029				175,342
Other Local Revenue	27,082	17,175			25	44,282
Intergovernmental - State	3,645,542	29,297	3,958	162,320		3,841,117
Intergovernmental - Federal	(1,408)	337,338				335,930
Total Revenues	5,644,510	557,839	36,165	162,320	483	6,401,317
Expenditures:						
Current:						
Instruction:						
Regular	2,503,128	34,739		30,565	750	2,569,182
Special	444,542	61,016				505,558
Vocational	111,628					111,628
Other	1,855					1,855
Support Services:						
Pupils	272,703	44,532				317,235
Instructional Staff	195,986	57,932				253,918
Board of Education	18,488					18,488
Administration	539,231	78,857				618,088
Fiscal	178,788		953			179,741
Maintenance & Operations	392,002			32,820		424,822
Pupil Transportation	321,278					321,278
Central	77,869	4,743				82,612
Non Instructional Services	13,951					13,951
Extracurricular Activities	150,765	125,907				276,672
Miscellaneous	2,700					2,700
Capital Outlay	221,433	8,297		924,223		1,153,953
Debt Service						
Principal Retirement	44,935		61,592			106,527
Interest & Fiscal Charges	10,236		12,545			22,781
Total Expenditures	5,501,518	416,023	75,090	987,608	750	6,980,989
Excess of Revenues Over (Under) Expenditures	142,992	141,816	(38,925)	(825,288)	(267)	(579,672)
Other Financing Sources (Uses):						
Proceeds from Notes				418,893		418,893
Refund of Prior Year Expenditures	8,848			0		8,848
Operating Transfers In	1,640			100,000		101,640
Operating Transfers Out	(100,000)			(1,640)		(101,640)
Total Other Financing Sources (Uses)	(89,512)	0	0	517,253	0	427,741
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	53,480	141,816	(38,925)	(308,035)	(267)	(151,931)
Fund Balances at Beginning of Year	754,280	118,671	117,169	435,808	8,515	1,434,443
Increase in Reserve for Prepaid items	23,933					23,933
Fund Balances at End of Year	\$ 831,693	\$ 260,487	\$ 78,244	\$ 127,773	\$ 8,248	\$ 1,306,445

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

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,129,000	\$1,121,816	(\$7,184)			
Income Taxes	814,000	813,846	(154)			
Tuition & Fees	6,800	3,249	(3,551)			
Interest	75,660	72,430	(3,230)			
Sales	1,320	1,313	(7)	162,423	166,329	3,906
Other Local Revenue	30,350	24,414	(5,936)	19,330	15,528	(3,802)
Intergovernmental - State	3,688,763	3,633,328	(55,435)	29,297	29,297	
Intergovernmental - Federal				357,043	357,043	
Miscellaneous						
Total Revenues	5,745,893	5,670,396	(75,497)	568,093	568,197	104
Expenditures:						
Current:						
Instruction:						
Regular	2,624,968	2,482,924	142,044	52,756	34,203	18,553
Special	455,170	441,897	13,273	70,085	56,410	13,675
Vocational	126,050	112,175	13,875			
Other	10,000	1,855	8,145			
Support Services:						
Pupils	281,064	265,230	15,834	48,332	45,432	2,900
Instructional Staff	191,900	187,726	4,174	72,745	63,819	8,926
Board of Education	19,000	17,967	1,033			
Administration	634,880	572,278	62,602	89,631	79,429	10,202
Fiscal	222,600	204,017	18,583			
Maintenance & Operations	457,340	409,230	48,110			
Pupil Transportation	404,600	313,888	90,712			
Central	73,994	71,495	2,499	11,000	5,875	5,125
Non Instructional Services	12,750	15,706	(2,956)			
Extracurricular Activities	176,850	150,219	26,631	134,404	125,035	9,369
Capital Outlay	237,354	218,207	19,147	13,359	8,297	5,062
Debt Service						
Principal Retirement						
Interest & Fiscal Charges						
Total Expenditures	5,928,520	5,464,814	463,706	492,312	418,500	73,812
Excess of Revenues Over (Under) Expenditures	(182,627)	205,582	388,209	75,781	149,697	73,916
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	500		(500)			
Proceeds from Notes						
Refund of Prior Year Expenditures	5,600	7,744	2,144			
Operating Transfers In	120,640	1,640	(119,000)			
Advances In	37,706	36,810	(896)			
Advances Out	(17,105)	(17,105)		(19,706)	(19,706)	
Transfers Out	(100,000)	(100,000)				
Total Other Financing Sources (Uses):	47,341	(70,911)	(118,252)	(19,706)	(19,706)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(135,286)	134,671	269,957	56,075	129,991	73,916
Fund Balances at Beginning of Year	844,454	844,454		133,084	133,084	
Fund Balances at End of Year	\$709,168	\$979,125	\$269,957	\$189,159	\$263,075	\$73,916

(continued)

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$36,200	\$35,744	(\$456)			
5,000	3,958	(1,042)	376,463	162,320	(214,143)
<u>41,200</u>	<u>39,702</u>	<u>(1,498)</u>	<u>376,463</u>	<u>162,320</u>	<u>(214,143)</u>
			43,481	23,676	19,805
1,600	953	647	50,815	24,820	25,995
			4,795		4,795
			1,213,213	842,234	370,979
61,592	61,592				
12,545	12,545				
<u>75,737</u>	<u>75,090</u>	<u>647</u>	<u>1,312,304</u>	<u>890,730</u>	<u>421,574</u>
<u>(34,537)</u>	<u>(35,388)</u>	<u>(851)</u>	<u>(935,841)</u>	<u>(728,410)</u>	<u>207,431</u>
			419,000	418,893	(107)
			100,000	100,000	
			18,000	17,105	(895)
			(17,105)	(17,105)	
			(1,640)	(1,640)	
			<u>518,255</u>	<u>517,253</u>	<u>(1,002)</u>
(34,537)	(35,388)	(851)	(417,586)	(211,157)	206,429
110,835	110,835		435,808	435,808	
<u>\$76,298</u>	<u>\$75,447</u>	<u>(\$851)</u>	<u>\$18,222</u>	<u>\$224,651</u>	<u>\$206,429</u>

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

	Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes			
Income Taxes			
Tuition & Fees			
Interest	500	430	(70)
Sales			
Other Local Revenue	525	25	(500)
Intergovernmental - State			
Intergovernmental - Federal			
Miscellaneous			
Total Revenues	1,025	455	(570)
Expenditures:			
Current:			
Instruction:			
Regular	9,476	750	8,726
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Maintenance & Operations			
Pupil Transportation			
Central			
Non Instructional Services			
Extracurricular Activities			
Capital Outlay			
Debt Service			
Principal Retirement			
Interest & Fiscal Charges			
Total Expenditures	9,476	750	8,726
Excess of Revenues Over (Under) Expenditures	(8,451)	(295)	8,156
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Proceeds from Notes			
Refund of Prior Year Expenditures			
Operating Transfers In			
Advances In			
Advances Out			
Transfers Out			
Total Other Financing Sources (Uses):			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,451)	(295)	8,156
Fund Balances at Beginning of Year	8,476	8,476	
Fund Balances at End of Year	\$25	\$8,181	\$8,156

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

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE -
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Operating Revenues:	
Sales	\$205,638
Operating Expenses:	
Salaries & Wages	78,954
Fringe Benefits	31,454
Purchased Services	2,982
Supplies & Materials	120,544
Depreciation	5,351
Total Operating Expenses	<u>239,285</u>
Operating Loss	(33,647)
Non-Operating Revenues:	
Federal & State Subsidies	58,339
Interest Income	1,583
Total Non-Operating Revenues:	<u>59,922</u>
Net Income	26,275
Retained Earnings at Beginning of Year	14,660
Retained Earnings at End of Year	<u>40,935</u>
Contributed Capital at Beginning of Year	21,570
Contributions from Other Funds	3,500
Contributed Capital at End of Year	<u>25,070</u>
Fund Equity at End of Year	<u><u>\$ 66,005</u></u>

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

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

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$207,500	\$205,638	(\$1,862)
State Subsidy	1,800	1,476	(324)
Federal Subsidy	39,500	33,640	(5,860)
Total Revenues	<u>248,800</u>	<u>240,754</u>	<u>(8,046)</u>
Expenses:			
Salaries & Wages	94,000	80,610	13,390
Fringe Benefits	39,800	32,914	6,886
Purchased Services	10,500	2,959	7,541
Supplies & Materials	105,513	97,441	8,072
Capital Outlay	5,000	0	5,000
Total Expenses	<u>254,813</u>	<u>213,924</u>	<u>40,889</u>
Excess of Operating Revenues Over (Under) Operating Expenses	(6,013)	26,830	32,843
Nonoperating Revenue (Expense)			
Interest Income	<u>1,583</u>	<u>1,583</u>	<u>0</u>
Total Nonoperating Revenue (Expense)	<u>1,583</u>	<u>1,583</u>	<u>0</u>
Net Income	(4,430)	28,413	32,843
Fund Balance at Beginning of Year	<u>25,312</u>	<u>25,312</u>	<u>0</u>
Fund Balance at End of Year	<u><u>20,882</u></u>	<u><u>53,725</u></u>	<u><u>32,843</u></u>

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

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

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Sales	\$205,638
Cash Payments for Personal Services	(113,524)
Cash Payments for Contract Services	(2,959)
Cash Payments for Supplies and Materials	<u>(97,441)</u>
Net Cash Used for Operating Activities	<u><u>(8,286)</u></u>

Cash Flows from Noncapital Financing Activities:

Cash from Federal & State Subsidies	<u>35,116</u>
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Cash Flows from Investing Activities :

Interest on cash and cash equivalents	<u>1,583</u>
---------------------------------------	--------------

Net Increase in Cash and Cash Equivalents	28,413
Cash and Cash Equivalents at Beginning of Year	<u>25,312</u>
Cash and Cash Equivalents at End of Year	<u><u>53,725</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(33,647)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Depreciation	5,351
Commodities expense related to noncash grant	23,223
Changes in assets and liabilities:	
Intergovernmental receivables	(297)
Supplies inventory	1,539
Prepaid items	(63)
Accounts payable	23
Accrued wages and benefits	(3,459)
Intergovernmental payable	410
Deferred revenue	(1,362)
Compensated absences	<u>(4)</u>
Net cash used for operating activities	<u><u>(8,286)</u></u>

Schedule of Noncash Investing, Capital and Financing Activities

The Food Service fund received \$ 3,500 of contributed capital assets through governmental funds.

The Notes to the Financial Statements are an intregal part of this Statement.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is located in Champaign County, and includes all of the Villages of North Lewisburg, Mingo, Woodstock and Cable and portions of Zane, Union, Wayne, Rush and Allen Townships. The District is staffed by 39 non-certificated employees, 67 certificated full-time teaching personnel and 5 administrative employees who provide services to 1042 students and other community members. The District currently operates 2 instructional buildings and 1 administrative building.

A. Reporting Entity

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

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

The District is associated with three jointly governed organizations and an insurance purchasing pool. These organizations include the Ohio Hi-Point Joint Vocational District, the Western Ohio Computer Organization, the Metropolitan Educational Council and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.

2. Proprietary Fund Types

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

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

3. Fiduciary Fund Types

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

4. Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

Estimated Resources

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

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, no supplemental appropriations were legally enacted.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation.

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on the open market.

The Ohio Revised Code authorizes the District to invest in United States and State of Ohio bonds, notes and other obligations; bank certificates of deposit; banker's acceptances; commercial paper notes rated prime and issued by United States corporations; and STAROhio. Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$81,138, which includes \$28,756 assigned from other District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items. The Proprietary funds record a current asset for the prepaid amount and an expense is reported in the year in which services are consumed. The Governmental funds record an expenditure at the time of purchase, record a current asset for the prepaid amount which is equally offset by a fund balance reserve to indicate they do not represent available spendable resources.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. The District in previous years was required to set restrict \$ 27,569 and was increased in fiscal year 1999 by the required \$ 41,039 for a total of \$ 68,608. A fund balance reserve has also been established.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of three hundred dollars. The District does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

I. Intergovernmental Revenues

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

The District currently participates in several State and Federal programs, categorized as follows:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Program

Special Revenue Fund

Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Teacher Development
Education Management Information Systems
Title I
Title VI
Title VI-B
Drug-Free Schools
Tech Equity
Goals 2000 Proficiency Grant

Capital Projects Funds

School Net
Emergency Building Repair

Reimbursable Grants

General Fund

Driver Education

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately sixty-four percent of the District's governmental operating revenue during the fiscal year.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for employees after ten years of current service with the District.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Transactions

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

M. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for budget stabilization, prepaid items and property taxes.

N. Use of Estimates

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

O. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. COMPLIANCE

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 1999.

Fund/Function	Appropriation	Expenditures	Excess
General Fund			
Regular Instruction			
Benefits	\$ 470,000	\$ 473,168	\$ 3,168
Instructional Staff			
Benefits	47,100	52,369	5,269
Maintenance & Operations			
Benefits	53,700	68,224	14,524
Pupil Transportation			
Benefits	53,000	65,011	12,011
Non Instructional Services			
Benefits	750	7,011	6,261
Public School Support			
Regular Instruction			
Materials & Supplies	3,979	4,499	520

4. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental and Proprietary funds are as follows:

Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses All Governmental Fund Types					
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds
Budget Basis	\$134,671	\$129,991	(\$ 35,388)	(\$211,157)	(\$ 295)
Adjustments (Net):					
Revenue Accruals	(25,886)	(10,358)	(3,537)		28
Expenditure Accruals	(36,704)	2,477		(96,878)	
Refund prior year exp.	1,104				
Interfund Transactions	(19,705)	19,706			
GAAP Basis	\$ 53,480	\$141,816	(\$ 38,925)	(\$308,035)	(\$267)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. BUDGETARY BASIS OF ACCOUNTING

Net Loss/Excess of Revenues Under Expense
Enterprise Fund

Budget Basis	\$ 28,413
Adjustments (Net):	
Revenue Accruals	23,223
Expenditure Accruals	<u>(25,361)</u>
GAAP Basis	<u>\$ 26,275</u>

5. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the District into three categories. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested in legal securities (see Note 2D).

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the District had \$2,000 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."

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$1,438,741 and the bank balance was \$1,567,083. Of the bank balance \$201,250 was covered by federal depository insurance and \$ 1,365,833 was uninsured and uncollateralized.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. At year end, the District's investment in STAROhio, the only investment at fiscal year end, had a fair value of \$200,172. The investment with STAROhio, is not required to be categorized due to its nature.

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which fiscal year 1998 taxes were collected are:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate				
Residential/Agricultural and Other Real Estate	\$40,389,130	88.59%	\$50,231,030	92.39%
Public Utility	2,852,570	6.26%	2,947,190	5.42%
Tangible Personal Property	2,346,828	5.15%	1,189,720	2.19%
Total Assessed Value	45,588,528	100.00%	54,367,940	100.00%
Tax rate per \$1,000 of assessed valuation	\$32.30		\$34.30	

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. PROPERTY TAXES (Continued)

The District receives property taxes from Champaign, Union and Logan County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, are available to finance current fiscal year 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, personal property and public utility taxes which became measurable as of June 30. 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.

7. INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 1999, consisted of both property and income taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Open Enrollment	\$5,631
Drivers Education	600
Enterprise Fund:	
National School Lunch	4,740
State School Lunch	213
Total Intergovernmental Receivables	\$ 11,184

9. FIXED ASSETS

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

Furniture and Equipment	\$87,321
Less: Accumulated Depreciation	(45,024)
Net Fixed Assets	\$42,297

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. FIXED ASSETS (Continued)

The District, last year, erroneously reported incorrect amounts for fixed assets, a restatement of June 30, 1998 balances and summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance as Previously Issued at 6/30/98	Balance as Restated at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$ 43,029	\$ 53,855	\$ 373,508	\$0	\$427,363
Buildings and Improvements	1,318,728	1,318,728	318,152	0	1,636,880
Improvements Other than Buildings	10,826	0			0
Furniture, Fixtures and Equipment	909,649	864,471	216,800	12,765	1,068,506
Vehicles	545,801	717,068	106,090	75,832	747,326
Construction in Progress	58,672	23,981	196,219	119,906	100,294
Total General Fixed Assets	<u>\$ 2,886,705</u>	<u>\$ 2,978,103</u>	<u>\$ 1,210,769</u>	<u>\$ 208,503</u>	<u>\$ 3,980,369</u>

10. RISK MANAGEMENT

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

Building and Contents-replacement cost (\$1,000 deductible)	\$10,384,600
Inland Marine Coverage (\$100 deductible)	7,126
Boiler and Machinery (\$1,000 deductible)	5,191,300
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$100 deductible)	200,000
Data Processing (\$100 deductible)	61,210
General Liability	
Per occurrence	1,000,000
Total per Year	5,000,000

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. RISK MANAGEMENT (Continued)

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (Note 17). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to Districts that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Program.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by statute. The adequacy of the contribution rate is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$ 98,079, \$ 99,018, and \$ 93,240, respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$ 389,595, \$ 357,829 and \$335,901, respectively equal to the required contributions for each year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients 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. The board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the District, this amount equaled \$55,656 during fiscal year 1999. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and eligible benefit recipients totaled \$91,999.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. The Board currently allocates employer contributions equal to 4.98% of covered payroll to fund health care benefits. For the District, this amount equaled \$ 34,888 during fiscal year 1999. 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 1998, the minimum pay has been established at \$12,400. For the year ended June 30, 1998, the most recent year available, net health care costs paid by SERS were \$111,900,575, and eligible benefit recipients totaled approximately \$50,000

13. CAPITAL LEASES

In prior years the District entered into a lease agreement for copiers. The terms of the lease provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$108,877, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 1999 fiscal year totaled \$19,835.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. LONG-TERM OBLIGATIONS

Fiscal Year Ending June 30,	Amount
2000	\$25,259
2001	25,259
2002	25,259
2003	12,628
Total minimum lease payments	88,405
Less interest:	(8,844)
Present value of minimum lease payments	<u>\$79,561</u>

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Long-Term Obligations:				
Long-Term Bonds and Loans:				
Elementary Addition Bond				
1976 6.25%	\$120,000	\$0	\$40,000	\$ 80,000
Energy Conservation Loan				
1991 6.39%	75,300	0	25,100	50,200
Modular Construction Loan				
1998 5.25%	119,906	0	21,592	98,314
Modular Construction Loan				
1999 4.85%		118,893		118,893
Land Loan				
1999 4.5%		300,000		300,000
Total Long-Term Bonds and Loans	<u>315,206</u>	<u>418,893</u>	<u>86,692</u>	<u>647,407</u>
Other Long-Term Obligations:				
Capital Leases Payable	99,396	0	19,835	79,561
Intergovernmental Payable	40,405	0	40,405	0
Compensated Absences	335,416	0	831	334,585
Total Other Long-Term Obligations	<u>475,217</u>		<u>61,071</u>	<u>414,416</u>
Total General Long-Term Obligations	<u>\$790,423</u>	<u>\$418,893</u>	<u>\$147,763</u>	<u>\$1,061,553</u>

Elementary School Addition - On August 1, 1976, Triad Local District issued \$922,000 in voted general obligation bonds for the purpose of an addition and improvement to the elementary school. The bonds were issued with a final maturity of December 1, 2000. The bonds will be retired from the debt service fund.

Energy Conservation Loan - On August 1, 1991, Triad Local District issued \$250,795 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a 10 year period with final maturity during fiscal year 2001. The loan will be retired from the general fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. LONG-TERM OBLIGATIONS (Continued)

Modular Construction Loan - On March 25, 1998, the District entered into a bank loan in the amount of \$119,906 for the purpose of purchasing and constructing a modular classroom. The loan was issued for a 5 year period with final maturity during fiscal year 2003. The loan will be retired from the general fund.

Modular Construction Loan - On May 15, 1999, the District entered into a bank loan in the amount of \$118,893 for the purpose of purchasing and constructing two modular classrooms. The loan was issued for a 5 year period with final maturity during fiscal year 2004. The loan will be retired from the general fund.

Land Loan - On January 27, 1999, the District entered into a bank loan in the amount of \$300,000 for the purpose of purchasing land. The loan was issued for a 3 year period with final maturity during fiscal year 2002. The loan will be retired from the general fund.

The capital lease obligation will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

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 legal debt margin of \$4,740,048 and an unvoted debt margin of \$54,368.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds	Energy Conservation Loan	Construction Loans	Land Loan	Total
2000	\$ 43,750	\$ 28,308	\$ 55,234	\$109,200	\$236,492
2001	41,250	26,704	55,234	109,200	232,388
2002	0	0	55,234	109,200	164,434
2003	0	0	55,234	0	55,234
2004	0	0	27,348	0	27,348
Total	\$ 85,000	\$ 55,012	\$248,284	\$327,600	\$715,896

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$203,323	\$2,315	\$205,638
Depreciation Expense	5,351	0	5,351
Operating Income (Loss)	(33,937)	290	(33,647)
Federal and State Subsidies	58,339	0	58,339
Contributed Capital	25,070	0	25,070
Net Income	25,985	290	26,275
Fixed Assets:			
Fixed Asset Additions	3,500	0	3,500
Net Working Capital	34,682	1,509	36,191
Total Assets	102,833	1,509	104,342
Total Equity	64,496	1,509	66,005

16. JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Joint Vocational School - The Ohio Hi-Point Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Western Ohio Computer Organization - The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consist of two representatives from each county elected by majority vote of all charter member Districts within each county plus one representative from the Shelby County Educational Service Center, the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

Metropolitan Educational Council -The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 Districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

17. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Program - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the Program to cover the costs of administering the program.

18. HOUSE BILL 412 SET-ASIDES

House Bill 412 established set aside requirements for textbooks, capital acquisition and budget stabilization. The base used for calculation includes general fund revenues received from taxes and state foundation. The textbooks and capital acquisition set aside requirements for fiscal year 1999 were set at 2% of the base and will increase to 3% for fiscal years 2000 and beyond. The budget stabilization set aside is 1% per year until a 5% of base cap is met.

The District is required, for the textbook and capital set asides, to spend an amount greater than or equal to the required amount or reserve fund balance for any unspent amount. The amount for textbook and capital set asides for the fiscal year 1999 was calculated to be \$ 82,079. The District had qualifying expenditures in excess of the requirements and therefore no reservation of fund balance is necessary. The budget stabilization set aside is described in Note 2G.

19. SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$3,281,284 of school foundation support for its General Fund. Since the Supreme Court ruling, some legislation has been passed in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County in a decision issued February 26, 1999, determined the school funding plan remains unconstitutional. The State has appealed the decision to the Ohio Supreme Court where the case is under review. As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future State funding under this program.

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 District's operations as early as fiscal year 2000.

The District had inventoried computer systems and other equipment necessary to conducting District operations. It is unknown as of June 30, 1999, what effects, if any, failing to remediate any such systems will have upon District operations. The District has two school buildings with power and heating systems and one administrative building with power, heating, and air conditioning systems which have extensive efficiency utilization measures within the systems.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

20. YEAR 2000 ISSUE (Continued)

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits; the State Education Management and Information System (EMIS) for its educational statistics reporting. The State is responsible for remediating these systems.

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

Property tax billing, collection and remittance for the District is handled by Champaign, Union and Logan Counties. The Counties are responsible for remediating these systems and are solely responsible for any associated costs.

Pioneer Rural Electric provides the electricity to the instructional buildings and the administrative building of the District. The Company is responsible for remediating these systems and is solely responsible for any associated costs.

East Ohio Gas provides natural gas to all of the buildings. The Company is responsible for remediating this system and is solely responsible for any associated costs.

The District uses Citizen National Bank as a fiscal agent to provide for the payment of bond and interest payments to the holders of the District's debt. The District has obtained assurances from the Bank regarding the compliance of this system.

In addition, its banking institutions provide financial services to the District. The District has obtained assurances from these organizations or institutions regarding remediation of these systems. These institutions are responsible for remediating these systems and are solely responsible for any associated costs.

The District's buildings have efficient power, heating, and air-conditioning systems. These systems are either not date sensitive or can be manually overridden or both.

The District relies on an insurance purchasing pool to contract with third-party administrators to handle the claims for workers' compensation. The insurance pool is responsible for remediating this system and is solely responsible for any associated costs.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

21. CONTINGENCIES

A. Grants

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

B. Litigation

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



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

Triad Local School District
Champaign County
7920 Brush Lake Road
North Lewisburg, Ohio 43060

To the Board of Education:

We have audited the financial statements of the Triad Local School District (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 24, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10311-001. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 24, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted 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 December 24, 1999.

Triad Local School District
Champaign County
Report of Independent Accountants on Compliance
and on Internal Control Required
by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

December 24, 1999

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-10311-001
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Ohio Rev. Code Section 5705.41 (B), states that a political subdivision shall not expend funds until they have been appropriated. The District had expenditures plus current year encumbrances that exceeded the prior year carryover encumbrances plus appropriations at the fund, function, object level, as indicated below. This is the legal level of control adopted by the Board of Education.

FUND	APPROPRIATIONS	ENCUMBERED AND EXPENDED	VARIANCE
as of June 30, 1999			
General Fund			
Regular Instruction - Benefits	\$470,000	\$473,168	(\$3,168)
Instructional Staff - Benefits	47,100	52,369	(5,269)
Maintenance and Operations- Benefits	53,700	68,224	(14,524)
Pupil Transportation - Benefits	53,000	65,011	(12,011)
Non-Instructional Services - Benefits	750	7,011	(6,621)
Public School Support - Regular Instruction - Materials and Supplies	3,979	4,499	(520)
April 1999			
Special Revenue Fund Type			
Venture Capital-Instructional Staff-Purchased Services	0	18,464	(18,464)
Venture Capital-Instructional Staff-Supplies & Materials	0	6,255	(6,255)

In addition to the item referred to above, we noted other immaterial instances of noncompliance for the periods examined.

To help ensure compliance with the above referenced Section of Code, and to insure that the District does not expend funds that are not available, the District should monitor financial reports to ensure budgetary expenditures do not exceed appropriations at the legal level of control throughout the year. In instances where it appears appropriations are insufficient to meet projected needs, the Board of Education should pass a resolution to amend appropriations.

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999**

Finding Number	Finding Summary	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1998-10311-001	ORC 5705.41 (B), expenditures plus encumbrances exceeding appropriations.	Situation still exists.	Finding will be repeated for current audit.
1998-10311-002	Lack of updated, reliable listing of District fixed assets.	Situation was adequately addressed.	District put considerable effort into rectifying this situation. Finding will not be repeated.



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TRIAD LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 25, 2000**