URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY

SINGLE AUDIT

JULY 1, 1998 THROUGH JUNE 30, 1999

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Urbana City School District
Champaign County
711 Wood Street
Urbana, Ohio 43078

To the Board of Education:

We have audited the accompanying general purpose financial statements of Urbana City 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 Urbana City School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As more fully described in Note 3 to the accompanying general purpose financial statements, certain changes in accounting policies and financial reporting practices were made in order to present the aforementioned general purpose financial statements in conformity with generally accepted accounting principles. Such changes were adopted effective July 1, 1998 and to implement those changes, adjustments were made to restate fund balances and retained earnings as of that date.

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.

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

JIM PETRO
Auditor of State

January 27, 2000

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

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	$787,980	$784,927	$111,275	$889,440
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Investments.	35,540			
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent. .	7,628,422			636,379
Accounts.	6,709	15		
Accrued interest	11,999			
Due from other governments	350	5,884		250
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	157,856			
Property, plant and equipment (net of accumulated depreciation where applicable)				
OTHER DEBITS:				
Amount available in debt service fund . .				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	$8,628,856	$790,826	$111,275	$1,526,069
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable.	$60,731	$13,571		$22,149
Accrued wages and benefits	1,039,721	37,714		8
Compensated absences payable				
Pension obligation payable.	200,728	8,176		
Deferred revenue	7,270,014			603,216
Due to other governments				
Due to students				
Claims payable				
Energy conservation notes payable. . . .				
Obligation under capital lease				
Total liabilities	8,571,194	59,461		625,373
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	132,001	29,973		133,954
Reserved for debt service			$111,275	
Reserved for tax revenue unavailable for appropriation.	358,408			33,163
Reserved for principal endowment. . . .				
Reserved for budget stabilization	76,940			
Reserved for textbooks	80,916			
Unreserved-undesignated	(590,603)	701,392		733,579
Total equity and other credits.	57,662	731,365	111,275	900,696
Total liabilities, equity and other credits . .	$8,628,856	$790,826	$111,275	$1,526,069

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

	Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
	$131,157	$311,843	$83,781			$3,181,319
			23,056			23,056
						35,540
						8,264,801
	304		2,027			9,055
			200			12,199
	50,080					56,564
	10,287					10,287
						76,940
	81,058			$11,221,192		11,302,250
					$111,275	111,275
					908,832	908,832
	$272,886	$311,843	$109,064	$11,221,192	$1,020,107	$23,992,118
			$3,320			$99,771
	$17,223					1,094,666
	3,121				$660,373	663,494
	29,848				100,423	339,175
	6,004					7,879,234
			5,917			5,917
			33,275			33,275
		$252,098				252,098
					64,929	64,929
					194,382	194,382
	56,196	252,098	42,512		1,020,107	10,626,941
				$11,221,192		11,221,192
	216,690	59,745				276,435
			1,286			297,214
						111,275
						391,571
			23,056			23,056
						76,940
			42,210			967,494
	216,690	59,745	66,552	11,221,192		13,365,177
	$272,886	**$311,843**	**$109,064**	**$11,221,192**	**$1,020,107**	**$23,992,118**

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

	General	Governmental Fund Types: Special Revenue	Debt Service	Capital Projects	Fiduciary Fund Type: Expendable Trust	Total (Memorandum Only)
Revenues:						
From local sources:						
Taxes	$6,573,087		$75,000	$553,034		$7,201,121
Tuition	24,748					24,748
Earnings on investments	157,238	$849			$1,284	159,371
Other local revenues	123,279	432,241			28,007	583,527
Other revenue	16,609					16,609
Intergovernmental - State	6,295,146	124,202		98,468		6,517,816
Intergovernmental - Federal		728,703				728,703
Total revenue	13,190,107	1,285,995	75,000	651,502	29,291	15,231,895
Expenditures:						
Current:						
Instruction:						
Regular	6,043,218	86,399		148,751	3,025	6,281,393
Special	1,152,475	232,348				1,384,823
Vocational	336,609					336,609
Other	63,040					63,040
Support services:						
Pupil	993,241	94,689			10,865	1,098,795
Instructional staff	271,373	18,706				290,079
Board of Education	20,234					20,234
Administration	1,509,618	3,382		14,241		1,527,241
Fiscal	161,056	1,286				162,342
Business	115,509	166,352				281,861
Operations and maintenance	994,536	8,479				1,003,015
Pupil transportation	436,055					436,055
Central	53,249	4,000				57,249
Community services		12,587				12,587
Extracurricular activities	316,604	135,585				452,189
Facilities services				370,888	3,191	374,079
Intergovernmental pass-through		47,160				47,160
Debt service:						
Principal retirement			79,388			79,388
Interest and fiscal charges			20,378			20,378
Total expenditures	12,466,817	810,973	99,766	533,880	17,081	13,928,517
Excess (deficiency) of revenues over (under) expenditures	723,290	475,022	(24,766)	117,622	12,210	1,303,378
Other financing sources (uses):						
Operating transfers in			97,363			97,363
Operating transfers out	(332,363)	(63,702)				(396,065)
Proceeds from sale of assets	3,332					3,332
Total other financing sources (uses)	(329,031)	(63,702)	97,363			(295,370)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	394,259	411,320	72,597	117,622	12,210	1,008,008
Fund balances (deficit), July 1 (restated)	(336,597)	320,045	38,678	783,074	31,286	836,486
Fund balances, June 30	$57,662	$731,365	$111,275	$900,696	$43,496	$1,844,494

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

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

	General			Special Revenue		
	Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**	**Revised Budget**	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:						
From local sources:						
Taxes	$6,624,707	$6,628,901	$4,194			
Tuition	24,732	24,748	16			
Earnings on investments	151,904	152,000	96	$842	$849	$7
Other local revenues	23,551	23,566	15	427,812	431,345	3,533
Other revenue	21,034	21,047	13			
Intergovernmental - State	6,292,512	6,296,496	3,984	134,470	135,580	1,110
Intergovernmental - Federal				726,506	732,506	6,000
Total revenues	13,138,440	13,146,758	8,318	1,289,630	1,300,280	10,650
Expenditures:						
Current:						
Instruction:						
Regular	6,207,508	6,093,601	113,907	277,630	88,754	188,876
Special	1,154,572	1,150,776	3,796	295,474	208,403	87,071
Vocational	367,883	362,097	5,786			
Other	76,495	75,571	924			
Support services:						
Pupil	990,516	986,577	3,939	169,034	108,545	60,489
Instructional staff	270,405	265,720	4,685	19,153	18,709	444
Board of Education	24,036	20,895	3,141			
Administration	1,538,565	1,531,173	7,392	37,938	3,908	34,030
Fiscal	163,094	162,303	791	1,486	1,286	200
Business	117,038	116,409	629	175,342	170,609	4,733
Operations and maintenance	1,026,831	1,018,115	8,716	11,291	8,479	2,812
Pupil transportation	493,629	489,590	4,039			
Central	66,321	57,883	8,438	4,000	4,000	0
Community services			39	17,090	10,730	6,360
Extracurricular activities	327,757	319,798	7,959	162,058	152,683	9,375
Facilities acquisition and construction						
Intergovernmental pass-through				59,550	54,899	4,651
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	12,823,970	12,649,789	174,181	1,230,046	831,005	399,041
Excess (deficiency) of revenues over (under) expenditures	314,470	496,969	182,499	59,584	469,275	409,691
Other financing sources (uses):						
Refund of prior year's expenditures	93,031	93,090	59			
Refund of prior year's (receipts)		0	100			
Operating transfers in	151,904	152,000	96	3,366	3,394	28
Operating transfers (out)			0			0
Advances in	83,918	83,971	53			
Advances (out)			0			0
Proceeds from sale of fixed assets	3,331	3,333	2			
Total other financing sources (uses)			310			28
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	110,746	293,555	182,809		373,927	409,719
Fund balances, July 1	352,440	352,440	0	335,478	335,478	0
Prior year encumbrances appropriated	154,826	154,826	0	32,941	32,941	0
Fund balances, June 30	**$618,012**	**$800,821**	**$182,809**	**$332,627**	**$742,346**	**$409,719**

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$75,000	$75,000	$0	$558,156	$556,966	($1,190)	$7,257,863	$7,260,867	$3,004
						24,732	24,748	16
						152,746	152,849	103
						451,363	454,911	3,548
						21,034	21,047	13
			98,428	98,218	(210)	6,525,410	6,530,294	4,884
						726,506	732,506	6,000
75,000	75,000	0	656,584	655,184	(1,400)	15,159,654	15,177,222	17,568
			258,674	242,641	16,033	6,743,812	6,424,996	318,816
						1,450,046	1,359,179	90,867
			2,812	0	2,812	370,695	362,097	8,598
						76,495	75,571	924
						1,159,550	1,095,122	64,428
						289,558	284,429	5,129
						24,036	20,895	3,141
			15,000	14,241	759	1,591,503	1,549,322	42,181
						164,580	163,589	991
						292,380	287,018	5,362
			5,000	0	5,000	1,043,122	1,026,594	16,528
						493,629	489,590	4,039
						70,321	61,883	8,438
						16,410	10,011	6,399
						489,815	472,481	17,334
			516,267	472,548	43,719	516,267	472,548	43,719
						59,550	54,899	4,651
93,760	93,760	0				93,760	93,760	0
14,512	6,006	8,506				14,512	6,006	8,506
108,272	99,766	8,506	797,753	729,430	68,323	14,960,041	14,309,990	650,051
(33,272)	(24,766)	8,506	(141,169)	(74,246)	66,923	199,613	867,232	667,619
						93,031	93,090	59
						(100)	0	100
0	97,363	97,363				155,270	252,757	97,487
						(550,579)	(550,579)	0
						83,918	83,971	53
						(83,971)	(83,971)	0
						3,331	3,333	2
0	97,363	97,363				(299,100)	(201,399)	97,701
(33,272)	72,597	105,869	(141,169)	(74,246)	66,923	(99,487)	665,833	765,320
38,678	38,678	0	504,493	504,493	0	1,231,089	1,231,089	0
		0	304,665	304,665	0	492,432	492,432	0
$5,406	**$111,275**	**$105,869**	**$667,989**	**$734,912**	**$66,923**	**$1,624,034**	**$2,389,354**	**$765,320**

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Total
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Operating revenues:				
Tuition and fees.	$60,938			$60,938
Sales/charges for services.	360,529			360,529
Other operating revenues	49,332			49,332
Total operating revenues	470,799			470,799
Operating expenses:				
Personal services	182,945			182,945
Contract services	388,685			388,685
Materials and supplies	88,789			88,789
Depreciation	5,126			5,126
Other			150	150
Claims expense		410,860		410,860
Total operating expenses	665,545	410,860	150	1,076,555
Operating loss	(194,746)	(410,860)	(150)	(605,756)
Nonoperating revenues:				
Operating grants.	187,192			187,192
Federal commodities	92,765			92,765
Interest revenue	480	10,943		11,423
Total nonoperating revenues.	280,437	10,943		291,380
Net income (loss) before operating transfers . .	85,691	(399,917)	(150)	(314,376)
Operating transfer in		298,702		298,702
Net income (loss)	85,691	(101,215)	(150)	(15,674)
Retained earnings/fund balance, July 1 (restated). .	130,999	160,960	23,206	315,165
Retained earnings/fund balance, June 30.	$216,690	$59,745	$23,056	$299,491

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

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

	Proprietary Fund Types		Fiduciary Fund Type	Total
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Cash flows from operating activities:				
Cash received from tuition and fees	$60,896			$60,896
Cash received from sales/service charges	360,477			360,477
Cash received from other operations.	49,212			49,212
Cash payments for personal services.	(173,688)			(173,688)
Cash payments for contract services	(323,533)			(323,533)
Cash payments supplies and materials.	(65,687)			(65,687)
Cash payments for claims expenses				0
Cash payments for other expenses		(296,141)	($150)	(296,291)
Net cash used in operating activities.	(92,323)	(296,141)	(150)	(388,614)
Cash flows from noncapital financing activities:				
Cash received from operating grants.	157,091			157,091
Cash received from interfund loans		298,702		298,702
Cash received from donations				0
Cash payments used in repayment of				0
interfund loans.				0
Net cash provided by noncapital financing activities.	157,091	298,702		455,793
Cash flows from capital and related financing activities:				
Principal payments-capital lease.				0
Interest payments-capital lease				0
Acquisition of capital assets	(69,643)			(69,643)
Net cash used in capital and related financing activities.	(69,643)			(69,643)
Cash flows from investing activities:				
Interest received	480	10,943		11,423
Net cash provided by investing activities.	480	10,943		11,423
Net increase (decrease) in cash and cash equivalents	(4,395)	13,504	(150)	8,959
Cash and cash equivalents at beginning of year.	135,552	298,339	23,206	457,097
Cash and cash equivalents at end of year	$131,157	$311,843	$23,056	$466,056
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	(194,746)	(410,860)	(150)	(605,756)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	5,126			5,126
Federal donated commodities	92,765			92,765
Changes in assets and liabilities:				
Increase in supplies inventory.	(2,572)			(2,572)
Increase in accounts receivable	(214)			(214)
Decrease in accounts payable	(2,512)			(2,512)
Increase in accrued wages & benefits	9,576			9,576
Increase(Decrease) in compensated absences payable.				0
Decrease in pension obligation payable	(319)			(319)
Increase in claims payable.		114,719		114,719
Increase in deferred revenue.	573			573
Net cash used in operating activities.	($92,323)	($296,141)	($150)	($388,614)

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Urbana City School District ("District") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is a city district as defined by Ohio Rev. Code Section 3311.02. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District is the 218th largest in the State of Ohio (among 612 Districts) in terms of enrollment. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 94 non-certified and 167 certificated personnel to provide services to approximately 2,346 students and other community members.

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 District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. 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:

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO)
The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby counties. WOCO 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

Western Ohio Computer Organization (WOCO) (Continued)
The superintendent of each member district is seated in the assembly which elects a Board of Directors for the Consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of eleven members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Shelby County Educational Service Center). Fiscal information can be obtained from Lewis Ivey, Jr., who serves as its administrator, 129 East Court Street, Sidney, Ohio 45265.

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.

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

PUBLIC ENTITY RISK POOL

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

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.

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. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.

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).

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 is 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.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

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 the same manner as governmental funds. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

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

B. Fund Accounting (Continued)

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 or trust funds.

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund 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.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. 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, intergovernmental grants (to the extent they are intended to finance the current fiscal year) 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 proprietary funds, unused donated commodities are reported as deferred revenue.

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.

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

C. Measurement Focus/Basis of Accounting (Continued)

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

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

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

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

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

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board by June 30, 1999.

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

D. Budgets (Continued)

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. 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 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for the 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" and "Investments" on the combined balance sheet.

During fiscal year 1999, investments were limited to a certificate of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the nonexpendable trust fund. Interest revenue credited to the general fund during fiscal 1999 amounted to $157,238, including $111,637 assigned from other District funds.

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.

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.

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

G. 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 over the following estimated useful lives:

Asset	Life (years)
Furniture, fixtures and equipment	7-20

H. 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 revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
- State Foundation Program
- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
- Auxiliary Services
- Instructional Materials Subsidy
- Education for Economic Security Act
- Management Information Systems
- Title VI-B
- Professional Development
- Title I
- Title VI
- Disadvantaged Pupil Impact Aid
- Drug Free School Grant
- Telecom

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

H. Intergovernmental Revenues (Continued)

Capital Projects Funds
Permanent Improvement
SchoolNet
Vocational Education Equipment
Power-Up Grant

Reimbursable Grants
General Fund
School Bus Purchase Reimbursement

Proprietary Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

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

I. Compensated Absences

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

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

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

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

J. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal interest. GAAP requires the allocation of the debt liability among the general and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, tax advance unavailable for appropriation, textbooks, and budget stabilization. The reserve for tax advance unavailable for appropriation represents property taxes recognized as revenue under GAAP but not available for appropriations under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

L. Interfund Transactions

During the course of normal operations, the District may have 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 no short-term interfund loans receivable or payable at June 30, 1999.

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 1999.

   An analysis of interfund transactions is presented in Note 5.

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish budget stabilization and textbook reserves. These reserves are required by the State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 17 for Statutory Reserves.

N. Estimates

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

O. Total Columns on the General Purpose Financial Statements

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

A. Change in Financial Statement Presentation and Basis of Accounting

For the year ended June 30, 1999, the District has presented for the first time GPFS by fund type and account group in accordance with GAAP. In conjunction with this presentation, the District has converted its governmental funds and expendable trust funds to the modified accrual basis of accounting and its proprietary funds and nonexpendable trust fund to the accrual basis of accounting. This conversion required that certain adjustments be recorded to the June 30, 1998 fund balances/retained earnings as previously reported to reflect the prior years' effect of adopting these new accounting principles. The restatements to the opening fund balances are as follows:

Fund Type	Balance as Previously Stated at June 30, 1998	Adjustments	Restated Balance at July 1, 1998
General	$507,267	$(843,864)	$(336,597)
Special Revenue	368,417	(48,372)	320,045
Debt Service	38,678	- - -	38,678
Capital Projects	809,158	(26,084)	783,074
Expendable Trust	34,844	(3,558)	31,286
Enterprise	135,552	(4,553)	130,999
Internal Service	298,339	(137,379)	160,960
Nonexpendable Trust	23,206	- - -	23,206
Agency	43,284	- - -	43,284

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Agency Fund

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

ASSETS	
Accounts receivable	$2,342

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents" and "Investments". Statutes require the classification of 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 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. Bonds and other obligations of the State of Ohio;

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

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

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

Cash on hand: At fiscal year end, the District had $110 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 risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the District's deposits, including a nonnegotiable certificate of deposit, was $3,291,745 and the bank balance, including a nonnegotiable certificate of deposit, was $3,695,385. Of the bank balance:

1. $338,498 was covered by federal deposit insurance.

2. $3,356,887 was uninsured and unregistered because it was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. 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 deposits 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 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.

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

At June 30, 1999, the District had an investment of $25,000 in STAR Ohio. 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, and investments on the combined financial statements 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 equity in pooled cash and cash equivalents and investments on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	$3,281,315	$35,540
Investments of the cash management pool:		
Investment in STAR Ohio	(25,000)	25,000
Certificate of deposit	35,540	(35,540)
Cash on hand	(110)	0
GASB Statement No. 3	$3,291,745	$25,000

NOTE 5 - INTERFUND TRANSACTIONS

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

	Transfers In	Transfers Out
General Fund	$ 0	$332,363
Special Revenue Funds		
Title VI-B	0	32,760
Title I	0	30,942
Debt Service Fund	97,363	0
Internal Service Fund		
Employee Benefits Self-Insurance	298,702	0
Total	$396,065	$396,065

NOTE 6 - PROPERTY TAXES

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was $236,860,833. Agricultural/residential and public utility/minerals real estate represented 56.3% or $133,298,368 of this total; Commercial & industrial real estate represented 17.8 or $42,256,790 of this total, public utility tangible represented 6.5% or $15,348,720 of this total and general tangible property represented 19.4% or $45,956,955 of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was $48.90 per $1,000.00 of assessed valuation for operations and $3.50 per $1,000.00 of assessed valuation for permanent improvement.

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.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of $391,571 was available to the District as an advance at June 30 and is recognized as revenue.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), accrued interest and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current 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.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	$7,628,422
Accounts	6,709
Accrued interest	11,999
Special Revenue Funds	
Due from other governments	5,884
Capital Projects Funds	
Taxes - current and delinquent	636,379
Enterprise Funds	
Due from other governments	50,080

NOTE 8 - FIXED ASSETS

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

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Land/ improvements	$ 466,530	$127,440	$ 0	$ 593,970
Buildings/ improvements	6,866,550	0	0	6,866,550
Furniture/ equipment	3,070,275	134,865	0	3,205,140
Vehicles	517,678	37,854	0	555,532
Total	$10,921,033	$300,159	$ 0	$11,221,192

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

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

Furniture and equipment	$ 233,643
Less: accumulated depreciation	(152,585)
Net fixed assets	$ 81,058

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capital lease agreements for classroom modulars. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee 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 the governmental fund types. 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 an amount 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 $46,923. This amount is reflected as debt service principal retirement in the debt service fund.

The following is an analysis of the equipment under capital lease as of June 30, 1999:

	General Fixed Assets
Classroom modulars	$260,200

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 minimum lease payments as of June 30, 1999:

General Long-Term Obligation

Year Ending June 30	Classroom Modulars
2000	$ 61,295
2001	53,858
2002	53,858
2003	53,858
Total minimum lease payments	222,869
Less: amount representing interest	(28,487)
Present value of future minimum lease payments	$194,382

The District does not have a capitalized lease obligation after fiscal year 2003.

NOTE 10 - LONG-TERM OBLIGATIONS

A. The District issued energy conservation notes during 1990. Proceeds were used for paying costs, installations, modifications and remodeling of existing school buildings for energy conservation. These notes will be repaid through savings derived from the energy improvements. The following schedule describes the notes:

Purpose	Interest Rate	Issue Date	Maturity Date	Loan Outstanding June 30, 1998	Retired in 1999	Loan Outstanding June 30, 1999
Energy Conservation Notes	7.4%	12/01/90	12/01/00	$97,394	$(32,465)	$64,929

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Year Ending June 30,	Principal on Energy Conservation Notes	Interest on Energy Conservation Notes	Total
2000	$32,465	$3,604	$36,069
2001	32,464	1,201	33,665
Total	$64,929	$4,805	$69,734

C. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining theses values. Compensated absences and the pension obligation payable will be paid from the fund in which the employee was paid.

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

C. (Continued)

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Compensated absences	$ 572,421	$ 87,952	$ - - -	$660,373
Pension obligation payable	93,927	100,423	(93,927)	100,423
Energy conservation notes payable	97,394	- - -	(32,465)	64,929
Capital lease obligation	241,305	- - -	(46,923)	194,382
Total	$1,005,047	$188,375	$(173,315)	$1,020,107

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of $21,428,750 (including available funds of $111,275) and an unvoted debt margin of $236,861.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive and Employee Health

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 obtained risk management by traditional means of insuring through a commercial company.

With the exception of a deductible, the risk of loss transfers entirely from the District to the commercial company. The District has obtained commercial insurance for the following risks:

- Education Liability Policy
- Business Auto Coverage
- Commercial Property Coverage
- Commercial Crime Coverage
- Inland Marine Coverage.

Health insurance is a minimum premium payment plan policy with a third party administrator, and a stop/loss reinsurance carrier. The District carries a fund for run-off claims in case of loss or change of carrier.

The District continues to carry commercial insurance for all others risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. (See Note 2.A.) The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	Food Service	Uniform School Supplies	Special Enterprises	Total
Operating revenue	$360,529	$60,938	$49,332	$470,799
Operating expenses before depreciation	555,130	54,747	50,542	660,419
Depreciation	5,126	0	0	5,126
Operating income (loss)	(199,727)	6,191	(1,210)	(194,746)
Operating grants	187,192	0	0	187,192
Federal commodities	92,765	0	0	92,765
Net income	80,710	6,191	(1,210)	85,691
Net working capital	103,082	26,205	9,466	138,753
Total assets	230,797	26,205	15,884	272,886
Total liabilities	49,778	0	6,418	56,196
Total equity	181,019	26,205	9,466	216,690
Encumbrances at 6/30/99	36,000	5,379	35	41,414

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were $290,982, $224,790, and $233,574, respectively; 54 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $134,376, 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were $1,073,735, $974,372, and $948,696, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $170,086, 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 School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - 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, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled $613,563 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 4.21 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 has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (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 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 $147,932 during the 1999 fiscal year.

NOTE 15 - 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);

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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

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

	General	Special Revenue	Debt Service	Capital Projects
Budget basis	$293,555	$373,927	$72,597	$(74,246)
Net adjustment for revenue accruals	43,349	(14,285)	0	(3,682)
Net adjustment for expenditure accruals	2,417	(22,549)	0	41,022
Net adjustment for other financing sources (uses)	(125,617)	31,646	0	0
Encumbrances (budget basis)	180,555	42,581	0	154,528
GAAP basis	$394,259	$411,320	$72,597	$117,622

NOTE 16 - 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 not currently a party to any legal proceedings.

NOTE 16 - CONTINGENCIES (Continued)

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received $5,500,322 of total school foundation support.

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

NOTE 17 - STATUTORY RESERVES

The District is required by State statute to set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital projects. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State Statute.

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of June 30, 1998	$ 0	$ 0	$76,940
Current year set-aside requirement	184,429	184,429	0
Current year offsets	(32,570)	(391,447)	0
Qualifying disbursements	(70,943)	(57,505)	0
Total	$80,916	$(264,523)	$76,940
Cash balance carried forward to FY 2000	$ 80,916	$ 0	$76,940

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	$76,940
Amount restricted for textbooks	80,916
Total restricted assets	$157,856

NOTE 17 - STATUTORY RESERVES (Continued)

Although the District has offsets and qualifying disbursements during the year in the capital acquisition reserve that reduced the set-aside amount to below zero, this extra amount may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

On July 1, 1999, the District issued $311,545 of Energy Conservation bonds which will mature in fiscal year 2014. The District also issued $144,000 of General Obligation School Improvement bonds which will mature in fiscal year 2009.

The District passed the renewal of a 3.5 mill permanent improvement levy in the November, 1998 general election.

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	$0	$97,255	$0	$92,765
National School Breakfast Program	05-PU-98	10.553	5,363	0	5,363	0
	05-PU-99		20,729	0	20,729	0
Total National School Breakfast Program			26,092	0	26,092	0
National School Lunch Program	03-PU-98	10.555	10,122	0	10,122	0
	03-PU-99		22,010	0	22,010	0
	04-PU-98		26,895	0	26,895	0
	04-PU-99		63,454	0	63,454	0
Total National School Lunch Program			122,481	0	122,481	0
Total U.S. Department of Agriculture - Nutrition Cluster			148,573	97,255	148,573	92,765
U.S. Department of Labor						
(Passed through Ohio Deptartment of Education)						
School to Work Program	WK-BE-99	17.249	10,000	0	642	0
Total U.S. Department Labor			10,000	0	642	0
U.S. Department of Education						
(Passed through Ohio Deptartment of Education)						
Title I - Education Consolidation Improvement Act	C1-S1-99	84.010	314,411	0	216,331	0
Title VI-B - Education of Handicapped Act	6B-SF-97	84.027	32,526	0	0	0
	6B-SF-98		168,064	0	90,338	0
Total Title VI-B			200,590	0	90,338	0
Drug Free Schools	DR-S1-97	84.186	0	0	60	0
	DR-S1-98		0	0	2,308	0
	DR-S1-99		12,471	0	7,291	0
Total Drug Free Schools			12,471	0	9,659	0
Goals 2000 Grant	G2-S1-97	84.276	0	0	396	0
	G2-S2-97		0	0	12,374	0
	G2-S2-98		0	0	13,573	0
	G2-S4-98		3,000	0	2,699	0
Total Goals 2000			3,000	0	29,042	0
Math Science Subsidy	MS-S1-97	84.281	0	0	3,548	0
	MS-S1-98		0	0	4,420	0
	MS-S1-99		11,365	0	246	0
Total Math/Science Subsidy			11,365	0	8,214	0
Innovative Education Program	C2-S1-97	84.298	0	0	275	0
	C2-S1-98		9,689	0	5,676	0
	C2-S1-99		9,689	0	0	0
Total Innovative Education Program			19,378	0	5,951	0
Technology Center Grant	TF-31-99	84.318	150,000	0	0	0
Telecom E-Rate	N/A	84.xxx	11,291	0	8,479	0
Total U.S. Department of Education			722,506	0	368,014	0
Total Federal Programs			$881,079	$97,255	$517,229	$92,765

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at fair market value of commodities received and consumed. At June 30, 1999, the District had no significant food commodities in inventory.

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

Urbana City School District
Champaign County
711 Wood Street
Urbana, Ohio 43078

To the Board of Education:

We have audited the financial statements of Urbana City School District, Champaign County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 27, 2000, in which certain changes in accounting policies and financial reporting practices were made in order to present the aforementioned general purpose financial statements in conformity with generally accepted accounting principles. 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 other immaterial instances of noncompliance that we have reported to 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 27, 2000.

This report is intended for the information and use of the audit committee, management, 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 INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Urbana City School District
Champaign County
711 Wood Street
Urbana, Ohio 43078

To the Board of Education:

Compliance

We have audited the compliance of Urbana City School District, Champaign 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal 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 a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information and use of the audit committee, management, 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)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Nutrition Cluster (CFDA #'s 10.550, 10.553 & 10.555) Title VI-B (CFDA # 84.027)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

Finding Number	**1999-10311-001**

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 May 31, 1999			
Self Insurance Fund			
Employees Retirement and Insurance	0	296,141	(296,141)

To reduce the risk 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 appropriations are insufficient to meet projected needs, the Board of Education should review the account involved and if funds are available pass a resolution to amend appropriations. Accordingly, if funds are not available, such expenditures should not be approved

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE AUDIT PERIOD ENDED JUNE 30, 1998
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 1999

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
1998-10311-001	Ohio Admin. Code Section 117-2-01, preparation of financial statements in accordance with generally accepted accounting principles.	Situation was adequately addressed.	District reported on GAAP for the first time in FY'99.
1998-10311-002	ORC 5705.41 (B), no expenditure of money unless it has been lawfully appropriated.	Situation still exists.	Finding repeated for the current audit.

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

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URBANA CITY 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
MARCH 14, 2000