



**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

SINGLE AUDIT

FOR THE YEAR JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Wayne Trace Local School District
Paulding County
510 West Townline Street
Payne, Ohio 45880-9361

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

December 30, 1999

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF 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	\$904,098	\$180,180	\$703,738	\$134,096
Cash and Cash Equivalents with Fiscal Agents		12,418		
Receivables:				
Property and Other Local Taxes	1,553,171		406,975	
Income Taxes	242,209			
Due from Other Funds				133
Materials and Supplies Inventory				
Prepaid Items	15,504			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	77,420			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>\$2,792,402</u>	<u>\$192,598</u>	<u>\$1,110,713</u>	<u>\$134,229</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$13,658	\$10,090		
Accrued Wages and Benefits	\$562,989	\$29,263		
Compensated Absences Payable	15,577			
Due to Other Funds	133			
Intergovernmental Payable	91,536	4,458		
Deferred Revenue	1,459,471		386,679	
Undistributed Monies				
Due to Students				
Capital Lease Payable				
Note Payable				
Bonds Payable				
Total Liabilities	<u>2,143,364</u>	<u>43,811</u>	<u>386,679</u>	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	341,301	54,721		3,166
Reserved for Prepaid Items	15,504			
Reserved for Debt Service			703,738	
Reserved for Property Taxes	93,700		20,296	
Reserved for Budget Stabilization	77,420			
Unreserved, Undesignated	121,113	94,066		131,063
Total Fund Equity and Other Credits	<u>649,038</u>	<u>148,787</u>	<u>724,034</u>	<u>134,229</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,792,402</u>	<u>\$192,598</u>	<u>\$1,110,713</u>	<u>\$134,229</u>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$85,613	\$22,877			\$2,030,602 12,418
				1,960,146 242,209 133
11,435				11,435 15,504
				77,420
62,827		\$7,622,910		7,685,737
			724,034	724,034
			6,483,743	6,483,743
\$159,875	\$22,877	\$7,622,910	\$7,207,777	\$19,243,381

	\$1,036			\$24,784
\$22,955				\$615,207
4,651			\$141,952	162,180 133
12,940			60,695	169,629
5,816				1,851,966
	1,493			1,493
	20,348			20,348
17,112				17,112
			5,490,180	5,490,180
			1,514,950	1,514,950
63,474	22,877		7,207,777	9,867,982
		\$7,622,910		7,622,910
57,641				57,641
38,760				38,760
				399,188 15,504 703,738 113,996 77,420 346,242
96,401		7,622,910		9,375,399
\$159,875	\$22,877	\$7,622,910	\$7,207,777	\$19,243,381

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Property and Other Local Taxes	\$2,077,925	
Intergovernmental	3,867,466	\$505,282
Interest	114,170	5,790
Tuition and Fees	8,474	
Extracurricular Activities		168,455
Gifts and Donations	545	
Rent	908	
Customer Services		5,878
Miscellaneous	35,370	
Total Revenues	6,104,858	685,405
Expenditures:		
Current:		
Instruction:		
Regular	2,988,877	134,538
Special	4,082	269,667
Vocational	99,761	
Other	23,607	
Support Services:		
Pupils	151,136	4,168
Instructional Staff	84,654	146,802
Board of Education	61,792	
Administration	1,130,818	53,001
Fiscal	159,212	3,202
Operation and Maintenance of Plant	581,230	
Pupil Transportation	457,153	
Central Services	42	363
Extracurricular Activities	152,202	193,863
Debt Service:		
Principal Retirement	128,381	
Interest and Fiscal Charges		
Capital Outlay	15,627	
Total Expenditures	6,038,574	805,604
Excess of Revenues Over/(Under) Expenditures	66,284	(120,199)
Other Financing Sources (Uses):		
Other Financing Sources	1,565	
Operating Transfers In		
Operating Transfers Out	(130,000)	
Total Other Financing Sources (Uses)	(128,435)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(62,151)	(120,199)
Fund Balances at Beginning of Year	711,189	268,986
Fund Balances at End of Year	\$649,038	\$148,787

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

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$380,348		\$2,458,273
41,305	\$466,066	4,880,119
34,464		154,424
		8,474
		168,455
		545
		908
		5,878
		35,370
<u>456,117</u>	<u>466,066</u>	<u>7,712,446</u>
	135,499	3,258,914
		273,749
		99,761
		23,607
	46,226	201,530
		231,456
	10,968	72,760
		1,183,819
13,895		176,309
	505,976	1,087,206
		457,153
		405
		346,065
330,000		458,381
53,845		53,845
		15,627
<u>397,740</u>	<u>698,669</u>	<u>7,940,587</u>
<u>58,377</u>	<u>(232,603)</u>	<u>(228,141)</u>
		1,565
	130,000	130,000
		(130,000)
	<u>130,000</u>	<u>1,565</u>
58,377	(102,603)	(226,576)
<u>665,657</u>	<u>236,832</u>	<u>1,882,664</u>
<u>\$724,034</u>	<u>\$134,229</u>	<u>\$1,656,088</u>

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

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Local Taxes	\$2,103,399	\$2,103,399	
Tuition and Fees	\$8,474	\$8,474	
Intergovernmental	3,867,466	3,867,466	
Earnings on Investments	118,337	114,170	(\$4,167)
Rent	908	908	
Extracurricular Activities			
Gifts and Donations	545	545	
Customer Services			
Miscellaneous	35,425	35,370	(55)
Total Revenues	<u>6,134,554</u>	<u>6,130,332</u>	<u>(4,222)</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,013,609	3,013,609	
Special	6,010	6,010	
Vocational	103,037	103,037	
Other	23,607	23,607	
Support Services:			
Pupils	160,455	160,455	
Instructional Staff	84,103	84,103	
Board of Education	74,656	74,656	
Administration	1,174,038	1,174,038	
Fiscal	158,536	158,536	
Operation and Maintenance of Plant	637,841	637,841	
Pupil Transportation	630,221	630,221	
Central Services	47	47	
Extracurricular Activities	151,288	151,288	
Capital Outlay	17,463	17,463	
Debt Service:			
Principal Retirement	128,381	128,381	
Interest			
Total Expenditures	<u>6,363,292</u>	<u>6,363,292</u>	
Excess Revenues Over (Under) Expenditures	<u>(228,738)</u>	<u>(232,960)</u>	<u>(4,222)</u>
Other Financing Sources (Uses):			
Advances In	63,565	63,565	
Advances Out	(63,432)	(63,432)	
Operating Transfers In			
Operating Transfers Out	(130,000)	(130,000)	
Other Financing Sources	1,565	1,565	
Total Other Financing Sources (Uses)	<u>(128,302)</u>	<u>(128,302)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(357,040)</u>	<u>(361,262)</u>	<u>(4,222)</u>
Fund Balances at Beginning of Year	694,246	694,246	
Prior Year Encumbrances Appropriated	293,732	293,732	
Fund Balances at End of Year	<u>\$630,938</u>	<u>\$626,716</u>	<u>(\$4,222)</u>

Governmental Fund Types

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$400,081	\$400,081	
\$410,169	\$410,169		41,305	41,305	
227	227		37,407	34,464	(\$2,943)
174,018	174,018				
5,878	5,878				
<u>590,292</u>	<u>590,292</u>		<u>478,793</u>	<u>475,850</u>	<u>(2,943)</u>
147,130	147,130				
190,342	190,342				
4,217	4,217				
187,688	187,688				
30,333	30,333				
2,109	2,109		13,895	13,895	
431	431				
197,205	197,205				
			330,000	330,000	
			53,845	53,845	
<u>759,455</u>	<u>759,455</u>		<u>397,740</u>	<u>397,740</u>	
<u>(169,163)</u>	<u>(169,163)</u>		<u>81,053</u>	<u>78,110</u>	<u>(2,943)</u>
2,605	2,605				
2,605	2,605				
(166,558)	(166,558)		81,053	78,110	(2,943)
272,311	272,311		625,628	625,628	
9,615	9,615				
<u>\$115,368</u>	<u>\$115,368</u>		<u>\$706,681</u>	<u>\$703,738</u>	<u>(\$2,943)</u>

(Continued)

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

	Governmental Fund Types		
	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Local Taxes			
Tuition and Fees			
Intergovernmental	\$484,134	\$466,066	(\$18,068)
Earnings on Investments			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Miscellaneous			
Total Revenues	484,134	466,066	(18,068)
Expenditures:			
Current:			
Instruction:			
Regular	140,471	140,471	
Special			
Vocational			
Other			
Support Services:			
Pupils	64,294	46,226	18,068
Instructional Staff			
Board of Education	10,968	10,968	
Administration			
Fiscal			
Operation and Maintenance of Plant	546,171	546,171	
Pupil Transportation			
Central Services			
Extracurricular Activities			
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest			
Total Expenditures	761,904	743,836	18,068
Excess Revenues Over (Under) Expenditures	(277,770)	(277,770)	
Other Financing Sources (Uses):			
Advances In	63,432	63,432	
Advances Out	(63,565)	(63,565)	
Operating Transfers In	130,000	130,000	
Operating Transfers Out			
Other Financing Sources			
Total Other Financing Sources (Uses)	129,867	129,867	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(147,903)	(147,903)	
Fund Balances at Beginning of Year	275,353	275,353	
Prior Year Encumbrances Appropriated	3,480	3,480	
Fund Balances at End of Year	\$130,930	\$130,930	

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

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,503,480	\$2,503,480	
8,474	8,474	
4,803,074	4,785,006	(\$18,068)
155,971	148,861	(7,110)
908	908	
174,018	174,018	
545	545	
5,878	5,878	
35,425	35,370	(55)
<u>7,687,773</u>	<u>7,662,540</u>	<u>(25,233)</u>
3,301,210	3,301,210	
196,352	196,352	
103,037	103,037	
23,607	23,607	
228,966	210,898	18,068
271,791	271,791	
85,624	85,624	
1,204,371	1,204,371	
174,540	174,540	
1,184,012	1,184,012	
630,221	630,221	
478	478	
348,493	348,493	
17,463	17,463	
458,381	458,381	
53,845	53,845	
<u>8,282,391</u>	<u>8,264,323</u>	<u>18,068</u>
<u>(594,618)</u>	<u>(601,783)</u>	<u>(7,165)</u>
126,997	126,997	
(126,997)	(126,997)	
130,000	130,000	
(130,000)	(130,000)	
4,170	4,170	
<u>4,170</u>	<u>4,170</u>	
(590,448)	(597,613)	(7,165)
1,867,538	1,867,538	
306,827	306,827	
<u>\$1,583,917</u>	<u>\$1,576,752</u>	<u>(\$7,165)</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Food Service	\$273,628
Operating Expenses:	
Salaries and Wages	120,952
Fringe Benefits	19,160
Purchased Services	13,338
Materials and Supplies	247,507
Capital Outlay	1,396
Depreciation	13,322
Total Operating Expenses	415,675
Operating Loss	(142,047)
Non-Operating Revenues:	
Intergovernmental	148,524
Federal Donated Commodities	18,656
Total Non-operating Revenues	167,180
Net Income	25,133
Retained Earnings at Beginning of Year	13,627
Retained Earnings at End of Year	38,760
Contributed Capital at Beginning and End of Year	57,641
Fund Equity at End of Year	\$96,401

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

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

	<u>Proprietary Fund Types</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$247,411	\$247,411	
Federal and State Subsidies	148,198	148,198	
Interest	344	325	(\$19)
Miscellaneous	28,144	28,144	
Total Revenues	<u>424,097</u>	<u>424,078</u>	<u>(19)</u>
Expenses:			
Salaries	122,504	122,504	
Fringe Benefits	22,206	22,206	
Purchased Services	13,338	13,338	
Materials and Supplies	233,560	233,410	150
Capital Outlay	1,396	1,396	
Total Expenses	<u>393,004</u>	<u>392,854</u>	<u>150</u>
Excess of Revenues Over Expenses	<u>31,093</u>	<u>31,224</u>	<u>131</u>
Fund Balances at Beginning of Year	42,897	42,897	
Prior Year Encumbrances Appropriated	2,220	2,220	
Fund Balances at End of Year	<u>\$76,210</u>	<u>\$76,341</u>	<u>\$131</u>

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

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

	Proprietary Fund Type
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Customers	\$275,554
Cash Payments to Suppliers for Goods and Services	(238,873)
Cash Payments to Employees for Services	(122,504)
Cash Payments for Employee Benefits	(22,206)
	(108,029)
Net Cash Provided (Used) by Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	148,524
	148,524
Net Increase (Decrease) in Cash and Cash Equivalents	40,495
Cash and Cash Equivalents at Beginning of Year	45,118
	45,118
Cash and Cash Equivalents at End of Year	\$85,613
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	(\$142,047)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	13,322
Donated Commodities Used During Year	18,656
Changes to Nonoperating Accruals	8,536
Changes in Assets and Liabilities:	
(Increase)/Decrease in Commodities Inventory	(1,886)
(Increase)/Decrease in Accounts Receivable	963
Increase/(Decrease) in Accounts Payable	(1,519)
Increase/(Decrease) in Deferred Revenue	544
Increase/(Decrease) in Intergovernmental Payable	(3,035)
Increase/(Decrease) in Compensated Absences Payable	(3,046)
Increase/(Decrease) in Accrued Wages	1,483
	1,483
Total Adjustments	34,018
	34,018
Net Cash Provided by Operating Activities	(\$108,029)

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is the 439th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 50 non-certificated employees, 78 certificated full-time teaching personnel who provide services to 1,246 students and other community members.

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

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

The following organizations are not part of the District entity and are excluded from the accompanying financial statements:

The School District is associated with four organizations which are defined as jointly governed organizations and group insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Joint Vocational School, the Paulding County School Insurance Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 17 and 18 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group 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.

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

1. Governmental Fund Types

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

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Debt Service Funds - The debt service funds 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 - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Types

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

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Fiduciary Fund Types

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

4. Account Groups

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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(Continued)

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

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments.

The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

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

2. Estimated Resources

By 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 School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. Cash and cash equivalents held for the School District by the Paulding County Educational Service Center is included on the balance sheet as part of "cash and cash equivalents with fiscal agent".

During fiscal year 1999, investments were limited to repurchase agreements and STAR Ohio. Investments in repurchase agreements are stated at cost which approximates market value. 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. Investment earnings are allocated as authorized by State statute.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$114,170 which includes \$35,016 assigned from other School 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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues required by statute to be set-aside by the School District to create a reserve for budget stabilization. See note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

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

G. Prepaid Items

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

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

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of 5 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Professional Development Block Grant
- Textbook and Instructional Materials Subsidy
- Tech Literacy Challenge
- E-Rate

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

Capital Projects Funds
School Net
Technology Equity
Emergency Building Repair
Classroom Facilities

Reimbursable Grants

General Fund
Driver Education
Proprietary Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately \$3,692,002 of the School Districts's operating revenues during fiscal year 1999 for all governmental funds.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

L. Accrued Liabilities and Long-Term Obligations

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

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

to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

M. Interfund Transactions

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

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaid items, debt service, property taxes, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenue and expenditures.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Estimates

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

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally

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

accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - COMPLIANCE

A. Compliance

Although there were no funds with deficit cash balances at year end the following funds had deficit balances at some time during the year: Food Service Fund, Student Activity Fund, Athletic Fund, and the Title I Fund.

Deposits exceed depository insurance and pledged collateral by \$348,539 at June 30, 1999.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for all governmental fund types:

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

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

	General	Special Revenue	Debt Service	Capital Project
GAAP Basis	(\$62,151)	(\$120,199)	\$58,377	(\$102,603)
Revenue accruals	89,039	(92,508)	19,733	63,432
Expenditure accruals	(33,348)	110,960		(105,566)
Encumbrances	(354,802)	(64,811)		(3,166)
Budgetary Basis	(\$361,262)	(\$166,558)	\$78,110	(\$147,903)

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

Excess of Revenues Over Expenses/Net Income
Proprietary Fund Type

	Enterprise
GAAP Basis	\$25,133
Revenue accruals	(16,730)
Expenditure accruals	32,092
Encumbrances	(9,271)
Budgetary Basis	\$31,224

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

During fiscal year 1999, the School District's investments were limited to repurchase agreements and STAR Ohio.

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

At fiscal year end, the School District had \$200 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

At fiscal year end, the School District had \$12,418 in Cash with Fiscal Agent held by the Western Buckeye Educational Service Center which is included on the balance sheet as "Cash with Fiscal Agent".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$1,866,379 and the bank balance was \$1,926,713. Of the bank balance, \$202,380 was covered by federal depository insurance, \$1,375,794 was covered by collateral held by the financial institution or its trust department in the District's name and \$348,539 was uninsured and uncollateralized.

Investments

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

	Carrying Value	Fair Value
Repurchase Agreements - Category 3	\$25,000	\$25,000
STAR Ohio, Unclassified	228,861	228,861
Total Investments	\$253,861	\$253,861

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. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

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(Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$2,120,440	
Cash on Hand	(200)	
Investments:		
Repurchase Agreement	(25,000)	\$25,000
STAR Ohio	(228,861)	\$228,861
	\$1,866,379	\$253,861

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied October 15 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied October 15 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied October 15 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed values upon which the fiscal year 1999 taxes are based as follows:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$48,265,440	77.09%	\$63,074,950	80.86%
Public Utility Personal	9,225,010	14.74%	9,540,760	12.23%
Tangible Personal Property	5,112,350	8.17%	5,386,103	6.91%
Total	\$62,602,800	100.00%	\$78,001,813	100.00%
Tax rate per \$1,000 of assessed valuation	\$36.80		\$36.80	

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

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

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JUNE 30, 1999
(Continued)

The School District receives property taxes from Van Wert, Paulding, and Putnam Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$113,996 and is recognized as revenue; \$93,700 was available in the General fund and \$20,296 in the Debt Service fund.

NOTE 7 - INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was approved by the voters on March 19, 1996, and is effective January 1, 1997, for a period of five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund, however 30 percent of the revenue is earmarked for permanent improvements.

NOTE 8 - RECEIVABLES

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

NOTE 9 - FIXED ASSETS

A summary of the changes in General Fixed Assets Account Group is as follows:

	Balance at 6/30/98	Adjustment	Restated 7/1/98 Balance	Additions	Deductions	Balance at 6/30/99
Land and Land Improvements	\$68,074	\$893	\$68,967	\$274,444		\$343,411
Buildings	3,528,410	210,290	3,738,700	428,614		4,167,314
Vehicles	807,547		807,547	105,128	(\$55,649)	857,026
Furniture, fixtures and equipment	1,356,035	743,903	2,099,938	168,870	(13,649)	2,255,159
Total	<u>\$5,760,066</u>	<u>\$955,086</u>	<u>\$6,715,152</u>	<u>\$977,056</u>	<u>(\$69,298)</u>	<u>\$7,622,910</u>

The adjustment column is to record fixed assets omitted from the financial statements as of June 30, 1998.

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

A summary of changes in the Enterprise Fund fixed assets is as follows:

	Balance at 6/30/99
Furniture, fixtures and equipment	\$218,887
Less accumulated depreciation	(156,060)
Net Fixed Assets	\$62,827

NOTE 10- RISK MANAGEMENT

A. Property and Liability

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

Building and Contents-replacement cost (\$1,000 deductible)	\$20,733,800
Inland Marine Coverage:	
Musical Instruments (\$100 deductible)	104,085
Photo Equipment (\$100 deductible)	24,000
EDP (\$100 deductible)	277,240
Boiler and Machinery (\$1,000 deductible)	9,836,300
Crime Insurance	2,000
Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorists	2,000,000
Umbrella Liability	5,000,000
General Liability	
Per occurrence	2,000,000
Total per year	\$5,000,000

B. Workers' Compensation

For fiscal year 1999, the School District participated in the OSBA Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the performance is compared to the overall savings 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 Anthem Comp. Services provided administrative, cost control and actuarial services to the GRP.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined pension plan. SERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. This 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 School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$64,447, \$57,974 and \$55,228, respectively; 40 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$38,514 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in 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. 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 School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$171,144, \$268,481 and \$254,888, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$28,134 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

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

of the five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12- POSTEMPLOYMENT BENEFITS

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

A. School Employees Retirement System

For SERS, coverage is made available to service retirees with ten or more fiscal 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 fiscal years 1999 and 1998, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal years 1999 and 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$52,729 during the 1999 fiscal year.

B. State Teachers Retirement System

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 School District, this amount equaled \$228,192 during fiscal 1999.

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

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

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Full time (12 month) classified employees are entitled to two weeks (10 days) vacation after one full year of service, three weeks (15 days) vacation after ten years of service, and one day for each year of service to a maximum of twenty days for fifteen complete years and thereafter. Accumulated, unused vacation time is paid to, or used by, classified employees upon termination of or separation from employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month which is 15 days annually. Vested sick leave is accumulated and, if unused, is paid upon retirement at 25% of the value of his/her accrued but unused sick leave credit to a maximum of 40 days.

At June 30, 1999 the current amount of unpaid compensated absences, in all funds except for the proprietary funds, and the balance of the liability in the General fund and the General Long-Term Obligation Account Group was \$15,577 and \$141,952 respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$4,651.

B. Life Insurance

The School District provides life insurance to most employees through Medical Life Insurance Company. The School District has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio. The majority of employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through Medical Mutual of Ohio.

NOTE 14 - LEASES

A. Operating Leases

The School District is obligated under various operating lease agreements with D & M Leasing for copiers and Mar Vending for a vending machine and TDS Telecom for voice mail equipment. These agreements do not give rise to property rights and are not reflected in the School's account group. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amounts
2000	\$9,397
2001	3,663
2002	3,034
2003	3,034
2004	2,022
Total	<u>\$21,150</u>

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

B. Capital Lease

The School District has entered into a lease agreement as lessee for financing the acquisition of a computer system for tracking student lunch sales. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the Food Service Enterprise fund. The asset has been recorded at a total value of \$25,055 with accumulated depreciation of \$10,022, for a net book value of \$15,033 as of June 30, 1999.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 1999, were as follows:

Year Ending June 30,	Amounts
2000	\$6,977
2001	6,977
2002	6,977
2003	775
Total minimum lease payments	21,706
Amount representing interest	(4,594)
Present value of minimum lease payments	<u>\$17,112</u>

NOTE 15 - LONG-TERM OBLIGATIONS

During the year ended June 30, 1999, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at June 30, 1998	Additions	Reductions	Balance at June 30, 1999
School Improvement Bond	\$1,844,950		\$330,000	\$1,514,950
Note Payable	5,618,561		128,381	5,490,180
Compensated Absences	196,371		54,419	141,952
Intergovernmental Payable	51,748	\$8,947		60,695
Total	<u>\$7,711,630</u>	<u>\$8,947</u>	<u>\$512,800</u>	<u>\$7,207,777</u>

Proceeds from the outstanding school improvement bonds were used for building construction and improvements. The bonds were issued on June 1, 1991, and refinanced with School Improvement Refunding Bonds on April 15, 1998 with an average interest rate of 4.75%.

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

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

Year Ending June 30,	Principal	Interest	Total General Obligation Bonds
2000	\$335,000	\$46,544	\$381,544
2001	360,000	32,895	392,895
2002	385,000	17,706	402,706
2003	115,000	7,303	122,303
2004	115,000	2,444	117,444
2005-2009	183,089	441,911	625,000
2010	21,861	98,139	120,000
Total	<u>\$1,514,950</u>	<u>\$646,942</u>	<u>\$2,161,892</u>

On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision against the District in a lawsuit which was filed as the result of an accident involving the District bus. The amount of the judgement at June 30, 1997, was \$5,618,561. On July 8, 1997, the District entered into a loan agreement with the State of Ohio to pay the judgement. Future requirement to retire this debt at June 30, 1999, are as follows:

Year Ending June 30,	Amounts
2000	\$158,450
2001	163,204
2002	168,100
2003	173,143
2004	178,337
2005-Thereafter	4,648,946
Total	<u>\$5,490,180</u>

Payments on above obligations are deducted from the School District's monthly Foundation payments by the State. The monthly deductions equal one-twelfth of two-thousandths or 2 mills of the School District's total taxable value reported for the lesser of 25 years or a period equal to the number of years required to pay off the loan, commencing July of 1998.

Compensated absences and the intergovernmental payables will be paid from the fund from which the employees' salaries are paid.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise Funds which provide lunchroom/cafeteria, uniform school supply. Segment information for the year ended June 30, 1999 was as follows:

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

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$247,411	\$26,217	\$273,628
Operating Expense before Depreciation	378,627	23,726	402,353
Depreciation Expense	13,322		13,322
Operating Income (Loss)	(144,538)	2,491	(142,047)
Donated Commodities	18,656		18,656
Operating Grants	148,524		148,524
Contributed Capital	57,641		57,641
Net Income	22,642	2,491	25,133
Net working capital	37,698	17,639	55,337
Total Assets	142,236	17,639	159,875
Total Equity	78,762	17,639	96,401
Encumbrances outstanding at June 30, 1999	\$210	\$9,061	\$9,271

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. The Northwest Ohio Area Computer Services Cooperative

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven (47) educational entities, primarily school districts located in the Ohio counties of Allen, Auglaize, Hancock, Mercer, Paulding, Putnam and Van Wert. The laws governing the Ohio Education Computer Network require that a board of education serve as fiscal agent for data acquisition sites receiving state funds, therefore, not all responsibilities of the fiscal agent can be undertaken by the council. Specifically, Revised Code § 3301-075 requires that the NOACSC conform to Revised Code § 3313.92 in order for the NOACSC to receive Ohio Education Computer Network funds from the State Department of education. Agreements entered into pursuant to Revised Code § 3313.92 must be approved by the State superintendent of public instruction, who has interpreted this revised code section to require a board of education to serve as fiscal agent for a data acquisition site receiving funds from the Ohio Education Computer Network, as opposed to have a council of governments serve as fiscal agent for the data acquisition site.

The general membership of the NOACSC consists of a superintendent or designated representative from each member school and a representative from the fiscal agent. NOACSC is governed by a Cooperative Governing Board chosen from the general membership. The Governing Board consists of two representatives from each county and one representative from the fiscal agent. The two representatives from each county are elected by a majority vote of all county member schools.

The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The duties and obligations of the organization and members participating is set forth in a written agreement covering the program.

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

Each of the participating educational entities' support NOACSC based upon a per pupil charge dependent upon the software package(s) utilized. The degree of control exercised by any participating entity is limited to representation on the Governing Board. The District paid NOACSC \$5,434 for services provided during fiscal year 1999. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Vantage Joint Vocational School

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Julie Mohr, Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

NOTE 18 - GROUP PURCHASING POOLS

A. OSBA Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under 4123.29 of the Ohio Revised Code. The OSBA Workers' Compensations Group Rating Program (WCGRP) was established through the Ohio School Boards Association (OSBA) as insurance pool.

The Board of Directors of the Ohio School Board Association Workers Compensation Plan has designated the Executive Director or his designee shall serve as the coordinator of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

B. The Paulding County School Insurance Consortium

The Paulding County School Insurance Consortium is a Consortium of three local school districts: Antwerp Local School District, Paulding Exempted Village School District and Wayne Trace Local School District. The insurance group is overseen by consultant Mike Kurvial with Ohio Benefit Group. The School District paid Ohio Benefit Group \$12,000 for services provided during the year. Financial information can be obtained from Mike Kurvial, Ohio Benefit Group, 523 2nd Street, Defiance, Ohio 43512.

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal years ended June 30, 1999, the School District received \$3,737,223 of school foundation support for all funds.

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

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

Supreme Court. As of December 30, 199, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. The amount for fiscal year 1999 was 2% of previous year qualifying general fund revenue. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The School District is also required to set aside money for budget stabilization, which for fiscal year 1999 was 1% of previous year qualifying general fund revenue, if the growth in a school district's qualifying general fund revenue for fiscal year 1997 to fiscal year 1998 is 3% or more. The School District did not have a growth in qualifying revenue of 3% or more.

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 Improvements	Budget Stabilization	Total
Balance June 30, 1998			\$32,209	\$32,209
Current Year Set Aside Requirement	\$90,422	\$90,422	45,211	226,055
Allowable offsets	(17,767)			(17,767)
Qualifying Expenditures	(72,655)	(90,422)		(163,077)
Balance June 30, 1999	<u> </u>	<u> </u>	<u>\$77,420</u>	<u>77,420</u>
Total Restricted Assets				<u>\$77,420</u>

Amounts of qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District had additional qualifying expenditures, for textbooks of \$85,405 and capital improvements of \$157,805, during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

NOTE 21 - OUTSTANDING CONTRACTUAL COMMITMENTS

As of June 30, 1999, the District had contracts for the purchase of three buses. These commitments were encumbered as of June 30, 1999 in the amount of \$168,012 in the General fund.

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

NOTE 22 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that could have adversely affected the government's operations as early as fiscal year 1999.

Wayne Trace Local School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

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

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
Nutrition Cluster:		
Food Distribution Program	-	10.550
National School Lunch Program	04-PU-99	10.555
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	C1-S1-98	84.010
	C1-S1-99	84.010
Total Title I Grants		
Technology Literacy Challenge Fund Grant	TF-S2-97	84.318
	TF-S2-98	84.318
Total Technology Literacy Challenge Fund Grant		
Goals 2000-State and Local Education Systemic Improvement	WK-BE-98	84.276
Innovative Educational Program Strategies	C2-S1-98	84.298
	C2-S1-99	84.298
Total Innovative Education Program		
<i>Direct Assistance:</i>		
E - Rate Grant	-	84.XXX
Total Department of Education		
Totals		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$19,663		\$19,119
<u>\$80,977</u>		<u>\$80,977</u>	
80,977	19,663	80,977	19,119
5,470		39,543	
<u>161,322</u>		<u>116,462</u>	
166,792		156,005	
		133,152	
<u>162,500</u>		<u>118,714</u>	
162,500		251,866	
5,000		5,000	
		196	
<u>4,810</u>		<u>4,810</u>	
4,810		5,006	
5,745		5,745	
<u>344,847</u>		<u>423,622</u>	
<u>\$425,824</u>	<u>\$19,663</u>	<u>\$504,599</u>	<u>\$19,119</u>

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Wayne Trace Local School District
Paulding County
510 West Townline Street
Payne, Ohio 45880-9361

To the Board of Education:

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

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 1999-10263-001 and 1999-10263-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 30, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 30, 1999.

This report is intended for the information and use of management, the Board of Education and federal award 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

December 30, 1999



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

Wayne Trace Local School District
Paulding County
510 West Townline Street
Payne, Ohio 45880-9361

To the Board of Education:

Compliance

We have audited the compliance of the Wayne Trace Local School District, Paulding 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 its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of 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 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 management, the Board of Education and federal award 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

December 30, 1999

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies - CFDA # 84.010 Technology Literacy Challenge Fund Grant - CFDA# 84.318
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 1999-10263-001

Noncompliance Citations

Ohio Revised Code § 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established.

FINDING NUMBER 1999-10263-001
(Continued)

The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance. Although there were no funds with deficit balances as of June 30, 1999, the following funds were found to have deficit balances sometime during fiscal year 1999, by a maximum of amounts listed:

<u>Fund</u>	<u>Maximum deficit at anytime throughout the year</u>
Food Service Fund	\$13,275
Student Activities fund	846
Athletic Fund	1,142
Title I Fund	15,287

It is recommended that the District monitor expenditures and fund balances and make advances and transfers as needed or reduce expenditures to avoid deficit balances.

FINDING NUMBER 1999-10263-002

Ohio Revised Code § 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The District had deposits of \$348,539 as of June 30, 1999 that were not protected by depository insurance or collateral. In addition, deposits in a repurchase agreement were not collateralized sufficiently at all times during the audit period.

It is recommended that the Treasurer monitor deposits and collateral and either request additional collateral when necessary or deposit a portion of the District funds in another financial institution.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2000**