



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**REGULAR AUDIT**

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



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Waynesfield-Goshen Local School District  
500 North Westminster Street  
Waynesfield, Ohio 45896

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Waynesfield-Goshen Local School District, Auglaize 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 Waynesfield-Goshen Local School District, Auglaize County, 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 3, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**JIM PETRO**  
Auditor of State

December 3, 1999



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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,210,294	\$218,128	\$62,468	\$77,128
Cash and Cash Equivalents with Fiscal Agent	0	5,771	0	0
Receivables:				
Property Taxes	690,710	11,788	106,210	35,443
Income Taxes	138,637	0	0	0
Accounts	102	37	0	0
Intergovernmental	0	0	0	0
Accrued Interest	0	0	0	0
Interfund	89,932	0	0	0
Prepaid Items	25,661	749	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	12,550	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	42,025	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$2,209,911</u>	<u>\$236,473</u>	<u>\$168,678</u>	<u>\$112,571</u>
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$14,895	\$564	\$0	\$1,095
Accrued Wages and Benefits	250,972	8,426	0	0
Compensated Absences Payable	5,207	0	0	0
Intergovernmental Payable	56,040	755	0	0
Interfund Payable	0	0	0	72,932
Deferred Revenue	646,328	11,059	99,076	33,155
Due to Students	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<u>973,442</u>	<u>20,804</u>	<u>99,076</u>	<u>107,182</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Property Taxes	44,382	729	7,134	2,288
Reserved for Inventory	12,550	0	0	0
Reserved for Budget Stabilization	37,553	0	0	0
Reserved for Bus Purchase	4,472	0	0	0
Reserved for Encumbrances	42,309	6,770	0	17,394
Unreserved (Deficit)	1,095,203	208,170	62,468	(14,293)
<b>Total Fund Equity and Other Credits</b>	<u>1,236,469</u>	<u>215,669</u>	<u>69,602</u>	<u>5,389</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<u>\$2,209,911</u>	<u>\$236,473</u>	<u>\$168,678</u>	<u>\$112,571</u>

See Accompanying Notes to the General Purpose Financial Statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$24,730	\$35,408	\$0	\$0	\$1,628,156
0	0	0	0	5,771
0	0	0	0	844,151
0	0	0	0	138,637
574	0	0	0	713
4,205	0	0	0	4,205
0	99	0	0	99
0	0	0	0	89,932
1,462	0	0	0	27,872
4,187	0	0	0	4,187
564	0	0	0	13,114
0	0	0	0	42,025
38,555	0	6,648,629	0	6,687,184
0	0	0	69,602	69,602
0	0	0	1,089,962	1,089,962
<u>\$74,277</u>	<u>\$35,507</u>	<u>\$6,648,629</u>	<u>\$1,159,564</u>	<u>\$10,645,610</u>
\$0	\$0	\$0	\$0	\$16,554
10,355	0	0	0	269,753
8,619	0	0	195,777	209,603
9,755	0	0	27,830	94,380
17,000	0	0	0	89,932
2,025	0	0	0	791,643
0	27,096	0	0	27,096
0	0	0	15,957	15,957
0	0	0	920,000	920,000
<u>47,754</u>	<u>27,096</u>	<u>0</u>	<u>1,159,564</u>	<u>2,434,918</u>
0	0	6,648,629	0	6,648,629
90	0	0	0	90
26,433	0	0	0	26,433
0	0	0	0	54,533
0	0	0	0	12,550
0	0	0	0	37,553
0	0	0	0	4,472
0	0	0	0	66,473
0	8,411	0	0	1,359,959
<u>26,523</u>	<u>8,411</u>	<u>6,648,629</u>	<u>0</u>	<u>8,210,692</u>
<u>\$74,277</u>	<u>\$35,507</u>	<u>\$6,648,629</u>	<u>\$1,159,564</u>	<u>\$10,645,610</u>

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

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expensible Trust
<b>Revenues:</b>						
Property Taxes	\$713,456	\$12,354	\$115,975	\$37,157	\$0	\$878,942
Income Taxes	393,697	0	0	0	0	393,697
Intergovernmental	2,061,430	241,277	13,423	291,185	0	2,607,315
Interest	70,471	0	0	2,278	437	73,186
Tuition and Fees	15,109	0	0	0	0	15,109
Extracurricular Activities	0	69,627	0	0	0	69,627
Miscellaneous	25,580	0	0	0	0	25,580
<b>Total Revenues</b>	<b>3,279,743</b>	<b>323,258</b>	<b>129,398</b>	<b>330,620</b>	<b>437</b>	<b>4,063,456</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,361,012	9,645	0	1,546	1,000	1,373,203
Special	204,435	40,952	0	0	0	245,387
Vocational	44,125	0	0	0	0	44,125
Other	1,408	0	0	0	0	1,408
Support Services:						
Pupils	71,970	0	0	0	0	71,970
Instructional Staff	86,525	26,112	0	2,319	0	114,956
Board of Education	23,051	0	0	0	0	23,051
Administration	316,161	1,401	0	0	0	317,562
Fiscal	115,792	201	1,715	562	0	118,270
Operation and Maintenance of Plant	310,741	5,721	0	0	0	316,462
Pupil Transportation	222,111	0	0	0	0	222,111
Extracurricular Activities	69,403	67,401	0	0	0	136,804
Capital Outlay	0	0	0	635,976	0	635,976
Debt Service:						
Principal Retirement	0	0	55,000	0	0	55,000
Interest and Fiscal Charges	0	0	66,141	0	0	66,141
<b>Total Expenditures</b>	<b>2,826,734</b>	<b>151,433</b>	<b>122,856</b>	<b>640,403</b>	<b>1,000</b>	<b>3,742,426</b>
Excess of Revenues Over (Under) Expenditures	453,009	171,825	6,542	(309,783)	(563)	321,030
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	29,629	0	29,629
Operating Transfers Out	(29,629)	0	0	0	0	(29,629)
<b>Total Other Financing Sources (Uses)</b>	<b>(29,629)</b>	<b>0</b>	<b>0</b>	<b>29,629</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	423,380	171,825	6,542	(280,154)	(563)	321,030
Fund Balances at Beginning of Year - Restated (Note 3)	814,715	43,844	63,060	285,543	8,974	1,216,136
Decrease in Reserve for Inventory	(1,626)	0	0	0	0	(1,626)
<b>Fund Balances at End of Year</b>	<b>\$1,236,469</b>	<b>\$215,669</b>	<b>\$69,602</b>	<b>\$5,389</b>	<b>\$8,411</b>	<b>\$1,535,540</b>

See Accompanying Notes to the General Purpose Financial Statements

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$679,103	\$708,238	\$29,135	\$11,770	\$12,271	\$501
Income Taxes	350,000	378,164	28,164	0	0	0
Intergovernmental	1,896,098	2,061,430	165,332	235,398	231,030	(4,368)
Interest	62,000	69,849	7,849	0	0	0
Tuition and Fees	8,390	15,314	6,924	0	0	0
Extracurricular Activities	0	0	0	64,250	69,652	5,402
Miscellaneous	12,040	19,599	7,559	0	0	0
<b>Total Revenues</b>	<b>3,007,631</b>	<b>3,252,594</b>	<b>244,963</b>	<b>311,418</b>	<b>312,953</b>	<b>1,535</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,423,821	1,375,420	48,401	160,541	8,922	151,619
Special	278,310	239,206	39,104	47,208	41,352	5,856
Vocational	53,350	50,707	2,643	0	0	0
Other	3,500	1,408	2,092	0	0	0
Support Services:						
Pupils	80,087	75,604	4,483	0	0	0
Instructional Staff	107,034	87,358	19,676	36,851	21,748	15,103
Board of Education	25,750	23,248	2,502	0	0	0
Administration	344,531	319,514	25,017	3,420	1,171	2,249
Fiscal	134,109	122,747	11,362	785	201	584
Operation and Maintenance of Plant	417,970	320,850	97,120	16,246	8,367	7,879
Pupil Transportation	251,120	224,095	27,025	0	0	0
Extracurricular Activities	75,970	69,309	6,661	81,436	72,360	9,076
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>3,195,552</b>	<b>2,909,466</b>	<b>286,086</b>	<b>346,487</b>	<b>154,121</b>	<b>192,366</b>
Excess of Revenues Over (Under) Expenditures	(187,921)	343,128	531,049	(35,069)	158,832	193,901
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	0	9,481	9,481	0	0	0
Advances In	114,300	15,000	(99,300)	3,000	0	(3,000)
Advances Out	(103,000)	(88,932)	14,068	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(168,780)	(29,629)	139,151	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(157,480)</b>	<b>(94,080)</b>	<b>63,400</b>	<b>3,000</b>	<b>0</b>	<b>(3,000)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(345,401)	249,048	594,449	(32,069)	158,832	190,901
Fund Balances at Beginning of Year	883,436	883,436	0	34,669	34,669	0
Prior Year Encumbrances Appropriated	57,466	57,466	0	17,293	17,293	0
<b>Fund Balances at End of Year</b>	<b>\$595,501</b>	<b>\$1,189,950</b>	<b>\$594,449</b>	<b>\$19,893</b>	<b>\$210,794</b>	<b>\$190,901</b>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$104,548	\$115,015	\$10,467	\$35,133	\$36,884	\$1,751	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
12,666	13,423	757	385,598	291,185	(94,413)	0	0	0
0	0	0	2,000	2,401	401	450	436	(14)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
117,214	128,438	11,224	422,731	330,470	(92,261)	450	436	(14)
0	0	0	78,016	58,612	19,404	1,000	1,000	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	2,319	2,319	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
2,500	1,715	785	1,200	562	638	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	632,771	599,504	33,267	0	0	0
61,496	55,000	6,496	0	0	0	0	0	0
70,000	66,141	3,859	0	0	0	0	0	0
133,996	122,856	11,140	714,306	660,997	53,309	1,000	1,000	0
(16,782)	5,582	22,364	(291,575)	(330,527)	(38,952)	(550)	(564)	(14)
0	0	0	0	0	0	0	0	0
0	0	0	72,932	72,932	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	25,000	29,629	4,629	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	97,932	102,561	4,629	0	0	0
(16,782)	5,582	22,364	(193,643)	(227,966)	(34,323)	(550)	(564)	(14)
56,886	56,886	0	77,790	77,790	0	8,920	8,920	0
0	0	0	208,630	208,630	0	0	0	0
\$40,104	\$62,468	\$22,364	\$92,777	\$58,454	(\$34,323)	\$8,370	\$8,356	(\$14)

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

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<b>Operating Revenues:</b>	
Sales	<u>\$135,835</u>
<b>Operating Expenses:</b>	
Salaries	52,381
Fringe Benefits	30,342
Purchased Services	2,290
Cost of Sales	92,302
Depreciation	3,615
Other Operating Expenses	68
Total Operating Expenses	<u>180,998</u>
Operating Loss	<u>(45,163)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal Donated Commodities	10,857
Operating Grants	29,915
Interest	35
Loss on Disposal of Fixed Assets	(772)
Total Non-Operating Revenues (Expenses)	<u>40,035</u>
Net Loss	(5,128)
Retained Earnings at Beginning of Year	<u>31,561</u>
Retained Earnings at End of Year	26,433
Contributed Capital at Beginning and End of Year	90
<b>Total Fund Equity at End of Year</b>	<u><u>\$26,523</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

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

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	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$132,900	\$135,465	\$2,565
Operating Grants	29,000	25,710	(3,290)
Interest	50	21	(29)
<b>Total Revenues</b>	<b>161,950</b>	<b>161,196</b>	<b>(754)</b>
<b>Expenses:</b>			
Salaries	55,425	52,155	3,270
Fringe Benefits	33,531	29,412	4,119
Purchased Services	4,081	2,298	1,783
Materials and Supplies	96,800	80,759	16,041
Other Expenses	68	68	0
<b>Total Expenses</b>	<b>189,905</b>	<b>164,692</b>	<b>25,213</b>
Excess of Revenues Under Expenses	(27,955)	(3,496)	24,459
Advances In	18,500	16,000	(2,500)
Advances Out	(16,000)	(15,000)	1,000
Excess of Revenues Under Expenses and Advances	(25,455)	(2,496)	22,959
Fund Balances at Beginning of Year	12,494	12,494	0
Prior Year Encumbrances Appropriated	14,550	14,550	0
<b>Fund Balances at End of Year</b>	<b>\$1,589</b>	<b>\$24,548</b>	<b>\$22,959</b>

*See Accompanying Notes to the General Purpose Financial Statements*

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

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**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$135,465
Cash Payments for Salaries	(52,155)
Cash Payments for Fringe Benefits	(29,412)
Cash Payments to Suppliers for Goods and Services	(82,889)
Cash Payments for Other Expenses	(68)
<b>Net Cash Used for Operating Activities</b>	<u>(29,059)</u>

**Cash Flows from Non-Capital Financing Activities:**

Cash Received from Operating Grants	25,710
Cash Received from Advances In	16,000
Cash Payments for Advances Out	(15,000)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>26,710</u>

**Cash Flows from Investing Activities:**

Cash Received from Interest	<u>35</u>
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Net Decrease in Cash and Cash Equivalents	(2,314)
Cash and Cash Equivalents at Beginning of Year	<u>27,044</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$24,730</u></u>

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss	(\$45,163)
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**Adjustments to Reconcile Operating Loss to Net**

**Cash Used for Operating Activities:**

Donated Commodities Used During Year	10,857
Depreciation Expense	3,615
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(370)
Increase in Prepaid Items	(10)
Decrease in Inventory Held for Resale	438
Decrease in Materials and Supplies Inventory	408
Increase in Accrued Wages and Benefits	236
Increase in Compensated Absences Payable	1,322
Decrease in Intergovernmental Payable	(392)
<b>Net Cash Used for Operating Activities</b>	<u><u>(\$29,059)</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Waynesfield-Goshen Local School District (the "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 was established in 1958 through the consolidation of existing land areas and school districts. The School District serves an area of approximately ninety-four square miles. It is located in Allen, Auglaize, and Logan Counties, and includes all of the Village of Waynesfield, and Wayne, Goshen, and parts of Union and Clay Townships. The School District is the 587th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by twenty-eight classified employees, thirty-nine certified teaching personnel, and three administrative employees who provide services to six hundred two students and other community members. The School District currently operates an instructional building and an administration building.

*Reporting Entity:*

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Waynesfield-Goshen 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. There are no component units of the Waynesfield-Goshen Local School District.

The School District is associated with two jointly governed organizations and two public entity risk pools. These organizations are the Western Ohio Computer Organization (WOCO), Ohio Hi-Point Joint Vocational School, Mercer Auglaize Employee Benefit Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

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

The financial statements of Waynesfield-Goshen 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 enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain 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 restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

*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 and trust 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 Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects 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).

*Proprietary Fund Type:*

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 is the School District's proprietary fund type:

*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 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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

**A. Basis of Presentation - Fund Accounting (continued)**

*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 an expendable trust fund and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

*Account Groups:*

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

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

**B. Measurement Focus and Basis of Accounting**

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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

**B. Measurement Focus and Basis of Accounting (continued)**

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

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the 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 primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Eisenhower, Drug Free, and Preschool Handicapped special revenue funds are flow through grants in which the Auglaize County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

*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 Auglaize County Budget Commission for rate determination.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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

**C. Budgetary Process (continued)**

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources 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 of estimated resources issued during fiscal year 1999.

*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 is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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 appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as 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 appropriation resolutions were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

*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 fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

*Lapsing of Appropriations:*

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. 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 Auglaize County Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 1999, investments were limited to non-negotiable certificates of deposit, which are reported at cost.

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 \$70,471, which includes \$14,748 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. Investments with an initial maturity of more than three months are reported as investments.

**E. 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.

**F. Inventory**

Inventory in the governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expended when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**H. Fixed Assets and Depreciation**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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

**H. Fixed Assets and Depreciation (continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables/Payables".

**J. Compensated Absences**

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

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Contributed Capital**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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

**L. Contributed Capital (continued)**

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, 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 the enterprise funds have been classified as retained earnings.

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a 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 have been established for property taxes, inventories of materials and supplies, budget stabilization, bus purchase, and encumbrances.

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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**N. Intergovernmental Revenues**

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

The 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 Allocation

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Teacher Development
- Education Management Information Systems
- Conflict Management
- Eisenhower
- Title VI-B
- Title I
- Title VI
- Drug Free
- Preschool Handicapped
- Telecommunication
- Raising the Bar



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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

**N. Intergovernmental Revenues (continued)**

*Capital Projects Funds*  
Disability Access  
SchoolNet Plus  
Technology Equity  
Textbook/Instructional Materials  
Emergency Building Repair

*Reimbursable Grants*  
*General Fund*  
Driver Education  
*Enterprise Funds*  
National School Lunch Program  
Special Milk Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 64 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.

**O. 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 nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**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 or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

**NOTE 3 - RESTATEMENT OF PRIOR YEAR FUND EQUITY**

In the prior fiscal year, the One-half Mill Levy fund was reflected as a capital projects fund. For fiscal year 1999, the fund is being reported as a special revenue fund. The change in fund type had the following effect on the excess of revenues and other financing sources over (under) expenditures and other financing uses as previously reported for the fiscal year ended June 30, 1998.

	<b>Special Revenue</b>	<b>Capital Projects</b>
Excess as previously reported	(\$1,714)	\$86,451
Reclassification of fund type	6,282	(6,282)
Restated amount for the fiscal year ended June 30, 1998	\$4,568	\$80,169

The restatement had the following effect on fund balance as it was previously reported as of June 30, 1998.

Fund Balance as previously reported	\$37,562	\$291,825
Reclassification of fund type	6,282	(6,282)
Restated Fund Balance for the fiscal year ended June 30, 1998	\$43,844	\$285,543

**NOTE 4 - ACCOUNTABILITY**

At June 30, 1999, the Title I special revenue fund and the Emergency Building Repair capital projects fund had deficit fund balances of \$1,182 and \$72,932, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Enterprise 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 that:

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 the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Drug Free, and Preschool Handicapped special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

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

	Governmental Fund Types				Expendable Trust
	General	Special Revenue	Debt Service	Capital Projects	
GAAP Basis	\$423,380	\$171,825	\$6,542	(\$280,154)	(\$563)
<u>Increase (Decrease) Due To:</u>					
Revenue Accruals	(17,668)	(10,305)	(960)	(150)	(1)
Expenditure Accruals	(27,443)	6,986	0	(2,105)	0
Prepaid Items	1,435	(2)	0	0	0
Advances In	15,000	0	0	72,932	0
Advances Out	(88,932)	0	0	0	0
Excess of Revenues Over Expenditures for Non-Budgeted Funds	0	(2,338)	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(56,724)	(7,334)	0	(18,489)	0
Budget Basis	\$249,048	\$158,832	\$5,582	(\$227,966)	(\$564)

**Net Loss/Excess of Revenues Under Expenses and Advances  
Enterprise Funds**

GAAP Basis	(\$5,128)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals	(4,589)
Expense Accruals	1,166
Prepaid Items	(10)
Inventory Held for Resale	438
Materials and Supplies Inventory	408
Depreciation Expense	3,615
Loss on Disposal of Fixed Asset	772
Advances In	16,000
Advances Out	(15,000)
Encumbrances Outstanding at Year End (Budget Basis)	(168)
Budget Basis	(\$2,496)

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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**NOTE 6 - 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. 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 passbook accounts.

Protection of the 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 can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 2 percent and be marked to market daily, and 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 the 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

At fiscal year end, the School District had \$5,771 in cash and cash equivalents held by the Auglaize County Educational Service Center which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts and therefore the School District cannot classify this money by risk under GASB Statement No. 3.

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

At fiscal year end, the carrying amount of the School District's deposits was \$1,670,181 and the bank balance was \$1,709,851. Of the bank balance, \$103,451 was covered by federal depository insurance and \$1,606,400 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**NOTE 7 - 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. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value.

Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. 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 after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Allen, Auglaize, and Logan 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 Counties 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 represents delinquent taxes outstanding and real property, public utility property, and tangible personal property 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 fiscal 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 \$44,382 in the General Fund, \$729 in the ½ Mill Levy special revenue fund, \$7,134 in the Bond Retirement debt service fund, and \$2,288 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1998, was \$39,164 in the General Fund, \$646 in the ½ Mill Levy special revenue fund, \$6,174 in the Bond Retirement debt service fund, and \$2,015 in the Permanent Improvement capital projects fund.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

**NOTE 7 - PROPERTY TAXES (continued)**

The assessed values upon which fiscal year 1999 taxes were collected are:

	<b>1998 Second- Half Collections</b>		<b>1999 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$23,973,050	90.18%	\$23,973,050	90.18%
Public Utility	1,630,910	6.14	1,630,910	6.14
Tangible Personal	978,430	3.68	978,430	3.68
Total Assessed Value	<u>\$26,582,390</u>	<u>100.00%</u>	<u>\$26,582,390</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.16		\$44.81	

**NOTE 8 - INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1997, and will continue for 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.

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, accrued interest, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$713. The Lunchroom enterprise fund had an intergovernmental receivable, in the amount of \$4,205, for state and federal lunch reimbursements.

**NOTE 10 - FIXED ASSETS**

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

Furniture and Equipment	\$96,386
Less Accumulated Depreciation	<u>(57,831)</u>
Net Fixed Assets	<u>\$38,555</u>

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

<b>Asset Category</b>	<b>Balance at 6/30/98</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/99</b>
Land and Improvements	\$95,177	\$61,716	\$0	\$156,893
Buildings and Improvements	4,481,257	343,894	1,000	4,824,151
Furniture and Equipment	977,096	80,812	18,486	1,039,422
Text and Library Books	232,356	0	0	232,356
Vehicles	397,893	64,214	66,300	395,807
Totals	<u>\$6,183,779</u>	<u>\$550,636</u>	<u>\$85,786</u>	<u>\$6,648,629</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

**NOTE 11 - INTERFUND ASSETS/LIABILITIES**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$89,932	\$0
Capital Projects Fund:		
Emergency Building Repair	0	72,932
Enterprise Funds:		
Lunchroom	0	1,000
Uniform School Supplies	0	16,000
Total All Funds	<u>\$89,932</u>	<u>\$89,932</u>

**NOTE 12 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted for the following insurance coverages. Coverages provided by Utica National Insurance Group are as follows:

	<u>Maximum Deductible</u>	<u>Coverage</u>
Building and Contents - replacement cost (includes boiler and machinery)	\$500	\$10,827,200
Commercial Auto/Business Auto	250	1,000,000
Musical Instruments	100	112,077
Audio Visual Equipment	100	7,314
Computers	100 mechanical 1,000 nonmechanical	394,260
Miscellaneous Scheduled Property	250	10,000

Coverages provided by Nationwide Insurance are as follows:

	<u>Maximum Deductible</u>	<u>Coverage</u>
General Liability		
Per Occurrence	n/a	\$1,000,000
Total per Year	n/a	3,000,000

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

The School District participates in the Mercer Auglaize Employee Benefit Trust (the Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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**NOTE 12 - RISK MANAGEMENT (continued)**

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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 for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. 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 required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$86,122, \$142,172, and \$139,590, respectively; 82.32 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$15,228, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 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.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)**

**B. School Employees Retirement System (continued)**

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$30,611, \$34,383, and \$36,492, respectively; 39.41 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$18,546, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

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

**NOTE 14 - 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 classified 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 obligation 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. 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 law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$114,829 for fiscal year 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 (the latest information available). For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000, and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, 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 year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$37,691 for fiscal year 1999.

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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)**

Expenses for health care at June 30, 1998 (latest information available), 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.

**NOTE 15 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 199 days for certified employees, 200 days for administrative employees, and 190 days for classified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused sick leave credit to a maximum of forty-six days for certified and administrative employees, and forty-seven days for classified employees.

**B. Health Care Benefits**

The School District provides medical and dental benefits to employees through the Mercer Auglaize Employee Benefit Trust. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

**NOTE 16 - LONG-TERM OBLIGATIONS**

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

	<b>Balance at 6/30/98</b>	<b>Additions</b>	<b>Reductions</b>	<b>Release of Debt</b>	<b>Balance at 6/30/99</b>
<u>General Obligation Bonds:</u>					
1995 School Improvement Bonds 5.85-8.25%	\$250,000	\$0	\$5,000	\$0	\$245,000
1989 School Improvement Bonds 7.125%	720,000	0	45,000	0	675,000
Total General Obligation Bonds	970,000	0	50,000	0	920,000
<u>Other Long-Term Obligations:</u>					
1996 School Facilities Loan	2,020,641	0	0	2,020,641	0
1992 Asbestos Removal Loan	20,957	0	5,000	0	15,957
Compensated Absences Payable	195,339	438	0	0	195,777
Intergovernmental Payable	31,019	27,830	31,019		27,830
Total Other Long-Term Obligations	2,267,956	28,268	36,019	0	239,564
Total General Long-Term Obligations	<u>\$3,237,956</u>	<u>\$28,268</u>	<u>\$86,019</u>	<u>\$2,020,641</u>	<u>\$1,159,564</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

**NOTE 16 - LONG-TERM OBLIGATIONS (continued)**

1995 School Improvement Bonds - On March 1, 1995, the School District issued \$260,000 in voted general obligation bonds for a building addition. The bonds were issued for a twenty-four year period, with final maturity in fiscal year 2019. The bonds are being retired through the Bond Retirement debt service fund.

1989 School Improvement Bonds - On September 1, 1989, the School District issued \$1,033,000 in voted general obligation bonds for classroom additions. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2013. The bonds are being retired through the Bond Retirement debt service fund.

1996 School Facilities Loan - In fiscal year 1996, the School District received \$2,309,966 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Generally, the School District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three period.

The School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$2,309,966 to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires.

If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three period, the School District may become responsible for repayment of a portion of the State's contribution. Based on the School District's adjusted valuation relative to the state-wide median adjusted valuation, this possibility appears remote.

1992 Asbestos Removal Loan - In fiscal year 1992, the School District obtained an interest free loan, in the amount of \$53,457, for asbestos removal. The loan was issued for a ten year period with final maturity in fiscal year 2002. The loan is being retired through the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire general long-term obligations at June 30, 1999, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>	<u>Asbestos Loan</u>	<u>Total</u>
2000	\$112,523	\$5,000	\$117,523
2001	108,903	5,000	113,903
2002	105,285	5,000	110,285
2003	106,461	957	107,418
2004	102,430	0	102,430
2005-2009	473,289	0	473,289
2010-2014	338,139	0	338,139
2015-2019	105,105	0	105,105
Total	\$1,452,135	\$15,957	\$1,468,092

The School District's overall debt margin was \$1,542,017, with an unvoted debt margin of \$26,582 at June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

**NOTE 17 - RESERVATIONS OF FUND BALANCE**

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. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The School District also receives resources from the State of Ohio which are restricted by State law to the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999 as well as the balance of the bus purchase allocation.

	<b>Textbooks</b>	<b>Capital Improvements</b>	<b>Budget Stabilization</b>	<b>Total</b>
Balance June 30, 1998	\$0	\$0	\$15,500	\$15,500
Current Year Set Aside Requirement	43,800	43,800	21,900	109,500
Bureau of Worker's Compensation Refund Received in Fiscal Year 1999	0	0	153	153
Current Year Offset	0	(47,339)	0	(47,339)
Qualifying Expenditures	<u>(72,108)</u>	<u>(92,223)</u>	<u>0</u>	<u>(164,331)</u>
Total	<u>(28,308)</u>	<u>(95,762)</u>	<u>37,553</u>	<u>(86,517)</u>
Balance June 30, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$37,553</u>	37,553
Amount Restricted for Bus Purchase				<u>4,472</u>
Total Restricted Assets				<u>\$42,025</u>

Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional offsets and qualifying expenditures 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 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

**NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (continued)**

	<b>Food Service</b>	<b>Uniform School Supplies</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$118,890	\$16,945	\$135,835
Depreciation Expense	3,615	0	3,615
Operating Income (Loss)	(45,844)	681	(45,163)
Federal Donated Commodities	10,857	0	10,857
Operating Grants	\$29,915	\$0	\$29,915
Fixed Assets Disposals	6,057	0	6,057
Net Income (Loss)	(5,809)	681	(5,128)
Net Working Capital	(7,643)	2,173	(5,470)
Total Assets	56,104	18,173	74,277
Total Equity	24,350	2,173	26,523
Encumbrances Outstanding (Budget Basis) at year End	168	0	168

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

**B. Ohio Hi-Point Joint Vocational School**

The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

**NOTE 20 - PUBLIC ENTITY RISK POOLS**

**A. Mercer Auglaize Employee Benefit Trust**

The Mercer Auglaize Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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**NOTE 20 - PUBLIC ENTITY RISK POOLS (continued)**

**A. Mercer Auglaize Employee Benefit Trust (continued)**

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; Schmidt, Long, and Associates, Inc.; 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

**NOTE 21 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program" which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,875,062 of school foundation support for its General Fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$2,309,966 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, 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 Court of Common Pleas 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 these programs and on its financial operations.

**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 may adversely affect the School District's operations.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(CONTINUED)**

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**NOTE 22 - YEAR 2000 ISSUE (continued)**

The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the School District's operations. The School District has identified these systems as being financial reporting, payroll and employee benefits, educational statistics reporting, and the building environment control system.

The School District uses the Ohio Uniform School Accounting System software for its financial reporting, and the Ohio Uniform Staff Payroll System software for its payroll and employee benefits; the State Education Management and Information System (EMIS) for its educational statistics reporting. The Ohio Department of Education has informed the School District that these software applications are Y2K compliant.

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

The School District's building environment control systems are electronically interfaced and could result in a year 2000 compliance problem. However, all of the systems contain manual overrides, and as such, can be operated even if a year 2000 compliance problem exists.

Allen, Auglaize, and Logan Counties collect property taxes for distribution to the School District. The Counties are responsible for remediation the tax collection systems and are solely responsible for any costs associated with this project.

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 School District is, or will be, year 2000 ready; that the School District's remediation efforts will be successful in whole or in part; or that parties with whom the School District does business will be year 2000 ready.

**NOTE 23 - CONTINGENT LIABILITIES**

**A. Grants**

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

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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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*

Waynesfield-Goshen Local School District  
500 North Westminster Street  
Waynesfield, Ohio 45896

Board of Education:

We have audited the financial statements of the Waynesfield-Goshen Local School District, Auglaize County (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 3, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 3, 1999.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 3, 1999.

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

**JIM PETRO**  
Auditor of State

December 3, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**WAYNESFIELD GOSHEN LOCAL SCHOOL DISTRICT**

**AUGLAIZE 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 6, 2000**