



**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Antwerp Local School District  
Paulding County  
Archer Drive  
P.O. Box AA  
Antwerp, Ohio 45813

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Antwerp Local School District, Paulding County, as of June 30, 1999, and the results of its operations and the cash flows of its enterprise funds 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 14, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

December 14, 2000

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**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Combined Balance Sheet  
All Fund Types And Account Groups  
As of June 30, 1999**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Assets and Other Debits:</b>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,237,089	\$73,896	\$233,566
Cash with Fiscal Agent		5,977	
Receivables:			
Property Taxes	1,256,402		92,974
Income Taxes	166,349		
Accrued Interest	6,836		
Prepaid Items	18,585		
Inventory			
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalent	47,786		
Fixed Assets (net, where applicable, of of accumulated depreciation)			
<u>Other Debits:</u>			
Amount to be Provided from General Governmental Resources			
<b>Total Assets and Other Debits</b>	<b>\$2,733,047</b>	<b>\$79,873</b>	<b>\$326,540</b>
<b>Liabilities, Fund Equity and Other Credits:</b>			
<u>Liabilities:</u>			
Accounts Payable	\$29,075	\$107	\$14,492
Accrued Salaries and Benefits	320,593	6,555	
Compensated Absences Payable	642		
Intergovernmental Payable	53,351	194	
Deferred Revenue	1,183,341		92,974
Due to Students			
General Obligation Notes Payable			
Asbestos Removal Loan Payable			
<b>Total Liabilities</b>	<b>1,587,002</b>	<b>6,856</b>	<b>107,466</b>
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets			
Retained Earnings			
Fund Balance:			
Reserved for Property Taxes	73,061		
Reserved for Prepaid Items	18,585		
Reserved for Budget Stabilization	47,786		
Reserved for Encumbrances	50,432	6,892	86,245
Unreserved	956,181	66,125	132,829
<b>Total Fund Equity and Other Credits</b>	<b>1,146,045</b>	<b>73,017</b>	<b>219,074</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,733,047</b>	<b>\$79,873</b>	<b>\$326,540</b>

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



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$149,891	\$35,333			\$1,729,775 5,977
				1,349,376
				166,349
				6,836
				18,585
3,649				3,649
				47,786
18,706		\$5,000,766		5,019,472
			\$558,348	558,348
<b>\$172,246</b>	<b>\$35,333</b>	<b>\$5,000,766</b>	<b>\$558,348</b>	<b>\$8,906,153</b>
\$5,022	\$10			\$48,706
2,920				330,068
9,159			\$362,732	372,533
5,898			18,532	77,975
1,184				1,277,499
	35,323			35,323
			134,896	134,896
			42,188	42,188
24,183	35,333		558,348	2,319,188
		\$5,000,766		5,000,766
148,063				148,063
				73,061
				18,585
				47,786
				143,569
				1,155,135
148,063		5,000,766		6,586,965
<b>\$172,246</b>	<b>\$35,333</b>	<b>\$5,000,766</b>	<b>\$558,348</b>	<b>\$8,906,153</b>

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Taxes	\$1,316,251			\$88,428	\$1,404,679
Intergovernmental	2,720,992	\$172,907		602,515	3,496,414
Interest	91,820				91,820
Tuition and Fees	3,150				3,150
Extracurricular Activities		70,896			70,896
Rent	1,470				1,470
Miscellaneous	48	557			605
Total Revenues	4,133,731	244,360		690,943	5,069,034
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,137,469	11,752		57,662	2,206,883
Special		74,872			74,872
Other	4,770				4,770
Support Services:					
Pupils	115,009	5,367			120,376
Instructional Staff	179,740	40,562			220,302
Board of Education	6,681			5,977	12,658
Administration	673,617	13,142			686,759
Fiscal	131,673	3,937		3,415	139,025
Operation and Maintenance of Plant	338,244			439,041	777,285
Pupil Transportation	243,882	551			244,433
Central		415			415
Non-Instructional Services		4,255			4,255
Extracurricular Activities	131,809	68,894			200,703
Capital Outlay				55,986	55,986
Debt Service:					
Principal			\$5,000	32,500	37,500
Interest				8,918	8,918
Total Expenditures	3,962,894	223,747	5,000	603,499	4,795,140
Excess of Revenues Over/(Under) Expenditures	170,837	20,613	(5,000)	87,444	273,894
<b>Other Financing Sources (Uses):</b>					
Transfers In	14,106		5,000	11,690	30,796
Transfers Out	(5,557)		(13,549)	(11,690)	(30,796)
Total Other Financing Sources (Uses)	8,549		(8,549)		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	179,386	20,613	(13,549)	87,444	273,894
Fund Balances at Beginning of Year	966,659	52,404	13,549	131,630	1,164,242
<b>Fund Balances at End of Year</b>	<b>\$1,146,045</b>	<b>\$73,017</b>	<b>\$13,549</b>	<b>\$219,074</b>	<b>\$1,438,136</b>

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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<b>General Fund</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Revised Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Taxes	\$1,489,049	\$1,489,097	\$48
Tuition and Fees	2,850	3,150	300
Intergovernmental	2,561,001	2,561,001	
Interest	91,390	91,655	265
Rent	1,470	1,470	
Extracurricular Activities			
Miscellaneous	48	48	
Total Revenues	4,145,808	4,146,421	613
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,137,520	2,137,520	
Special			
Other	4,770	4,770	
Support Services:			
Pupils	116,012	116,012	
Instructional Staff	187,675	187,675	
Board of Education	6,576	6,576	
Administration	673,275	673,275	
Fiscal	131,206	131,211	(5)
Operation and Maintenance of Plant	344,702	344,702	
Pupil Transportation	241,478	241,478	
Central			
Non-Instructional Services			
Extracurricular Activities	130,952	130,952	
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	3,974,166	3,974,171	(5)
Excess of Revenues Over (Under) Expenditures	171,642	172,250	608
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	14,106	14,106	
Refund of Prior Year Expenditures	63	63	
Other Financing Sources			
Operating Transfers Out	(5,557)	(5,557)	
Total Other Financing Sources (Uses)	8,612	8,612	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	180,254	180,862	608
Fund Balances at Beginning of Year	1,014,862	1,014,862	
Prior Year Encumbrances Appropriated	30,096	30,096	
<b>Fund Balances at End of Year</b>	<b>\$1,225,212</b>	<b>\$1,225,820</b>	<b>\$608</b>

(Continued)

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

	<u>Special Revenue Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes			
Tuition and Fees			
Intergovernmental	\$124,361	\$124,361	
Interest			
Rent			
Extracurricular Activities	70,896	70,896	
Miscellaneous			
Total Revenues	<u>195,257</u>	<u>195,257</u>	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	12,265	12,265	
Special	47,489	47,489	
Other			
Support Services:			
Pupils	5,366	5,366	
Instructional Staff	28,524	28,524	
Board of Education			
Administration	1,430	1,430	
Fiscal	3,375	3,375	
Operation and Maintenance of Plant			
Pupil Transportation	551	551	
Central	415	415	
Non-Instructional Services	4,280	4,280	
Extracurricular Activities	75,504	75,504	
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>179,199</u>	<u>179,199</u>	
Excess of Revenues Over (Under) Expenditures	<u>16,058</u>	<u>16,058</u>	
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In			
Refund of Prior Year Expenditures			
Other Financing Sources	557	557	
Operating Transfers Out			
Total Other Financing Sources (Uses)	<u>557</u>	<u>557</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	16,615	16,615	
Fund Balances at Beginning of Year	49,106	49,106	
Prior Year Encumbrances Appropriated	1,284	1,284	
<b>Fund Balances at End of Year</b>	<b><u><u>\$67,005</u></u></b>	<b><u><u>\$67,005</u></u></b>	



**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

	<b>Totals (Memorandum Only)</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$1,583,617	\$1,583,665	\$48
Tuition and Fees	2,850	3,150	300
Intergovernmental	3,287,877	3,287,877	
Interest	91,390	91,655	265
Rent	1,470	1,470	
Extracurricular Activities	70,896	70,896	
Miscellaneous	48	48	
Total Revenues	5,038,148	5,038,761	613
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,212,150	2,212,150	
Special	47,489	47,489	
Other	4,770	4,770	
Support Services:			
Pupils	121,378	121,378	
Instructional Staff	216,199	216,199	
Board of Education	88,873	88,873	
Administration	674,705	674,705	
Fiscal	137,996	138,001	(5)
Operation and Maintenance of Plant	783,923	783,923	
Pupil Transportation	242,029	242,029	
Central	415	415	
Non-Instructional Services	4,280	4,280	
Extracurricular Activities	206,456	206,456	
Capital Outlay	55,985	55,985	
Debt Service:			
Principal Retirement	37,500	37,500	
Interest and Fiscal Charges	8,918	8,918	
Total Expenditures	4,843,066	4,843,071	(5)
Excess of Revenues Over (Under) Expenditures	195,082	195,690	608
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	30,796	30,796	
Refund of Prior Year Expenditures	243	243	
Other Financing Sources	557	557	
Operating Transfers Out	(30,796)	(30,796)	
Total Other Financing Sources (Uses)	800	800	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	195,882	196,490	608
Fund Balances at Beginning of Year	1,202,931	1,202,931	
Prior Year Encumbrances Appropriated	36,091	36,091	
<b>Fund Balances at End of Year</b>	<b>\$1,434,904</b>	<b>\$1,435,512</b>	<b>\$608</b>

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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Combined Statement of Revenues, Expenses and Changes in  
Fund Equity - Enterprise Funds  
For the Fiscal Year Ended June 30, 1999**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$195,206
Tuition and Fees	11,916
Charges for Services	2,003
Total Operating Revenues	209,125
<b>Operating Expenses:</b>	
Salaries and Wages	63,177
Fringe Benefits	25,170
Purchased Services	7,062
Materials and Supplies	141,308
Depreciation	3,406
Total Operating Expenses	240,123
Operating Loss	(30,998)
<b>Non-Operating Revenues:</b>	
Operating Grants	30,509
Federal Donated Commodities	11,537
Total Non-operating Revenues	42,046
Net Income	11,048
Retained Earnings at Beginning of Year	137,015
<b>Retained Earnings at End of Year</b>	<b>\$ 148,063</b>

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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
Enterprise Funds  
For the Fiscal Year Ended June 30, 1999**

	Enterprise Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Tuition	\$11,917	\$11,917	
Sales	195,206	195,206	
Operating Grants	30,509	30,509	
Charges for Services	2,003	2,003	
	239,635	239,635	
<b>Expenses:</b>			
Salaries	61,993	61,993	
Fringe Benefits	22,730	22,730	
Purchased Services	7,118	7,118	
Materials and Supplies	143,646	143,667	(\$21)
Capital Outlay	673	673	
	236,160	236,181	(21)
Total Expenses			
Excess of Revenues Over Expenses	3,475	3,454	(21)
Fund Balances, Beginning of Year	132,447	132,447	
Prior Year Encumbrances Appropriated	2,635	2,635	
	\$138,557	\$138,536	(\$21)
<b>Fund Balances, End of Year</b>			

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



**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Combined Statement of Cash Flows  
Enterprise Funds  
For the Fiscal Year Ended June 30, 1999**

	<b>Enterprise</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$209,125
Cash Payments to Suppliers for Goods and Services	(137,627)
Cash Payments to Employees for Services	(61,993)
Cash Payments for Employee Benefits	(22,730)
Net Cash Used for Operating Activities	(13,225)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Cash Received from Operating Grants	30,509
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Payments for Capital Acquisitions	(2,476)
Net Increase in Cash and Cash Equivalents	14,808
Cash and Cash Equivalents at Beginning of Year	135,083
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$149,891</b>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>	
Operating Loss	(\$30,998)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>	
Depreciation	3,406
Donated Commodities Used During Year	11,537
Changes in Assets and Liabilities:	
Increase in Commodities Inventory	(703)
Increase in Deferred Revenue	651
Increase in Accounts Payable	3,754
Decrease in Accrued Wages and Benefits	(4,661)
Increase in Compensated Absences Payable	2,439
Increase in Intergovernmental Payable	1,350
<b>Net Cash Used for Operating Activities</b>	<b>(\$13,225)</b>

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

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**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

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

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

The School District is located in Paulding County. The School District is the 549th smallest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 31 non-certificated employees and 54 certificated full-time teaching personnel who provide services to 798 students and other community members.

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

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

The School District is associated with five organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Vocational School, Paulding County School Council, Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Paulding County School Council Employees Insurance Benefits Program. These organizations are presented in Notes 16 and 17 to the general-purpose financial statements.

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

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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

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

The School District uses funds and account groups to report 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 governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds 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 - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**2. Proprietary Fund 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 School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

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

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District had no expendable or nonexpendable trust funds.

**4. Account Groups**

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

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

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

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

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and

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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, interest, tuition, grants, and student fees.

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

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

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

**C. Budgetary Process**

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

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

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

The Eisenhower, Title VI-B, and Drug Free special revenue funds are flow through grants in which the Western Buckeye 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.

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**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Standard County Budget Commission for rate determination.

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

**3. Appropriations**

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

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**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations**

At the close of each 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.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to interest in STAR Ohio. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue of \$91,820 was credited to the General Fund.

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.



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Cash and cash equivalents held for the School District by the Western Buckeye Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

**E. Inventory**

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

**F. 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.

**G. Fixed Assets and Depreciation**

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

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

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

**H. Intergovernmental Revenues**

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

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

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**Entitlements**

General Fund

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

**Non-Reimbursable Grants**

Special Revenue Funds

- Education Management Information Systems
- Conflict Management Grant
- Professional Development Block Grant
- Textbook/Instructional Materials
- Excellence Grant
- School to Work Grant
- Title I
- Title VI
- Goals 2000 Grant
- Family/School Partnership Grant
- Eisenhower - Flow through
- Title VI-B - Flow through
- Drug Free - Flow through
- Capital Projects Funds
- School Net Plus
- Technology Equity

**Reimbursable Grants**

General Fund

- Driver Education
- Vocational Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 65 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.

**I. Compensated Absences**

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

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For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

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

**K. 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.

**L. 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, prepaids, budget stabilization, 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. The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts.

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**M. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise fund 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.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, no amounts that have been specifically identified as contributed capital in the accompanying combined financial statements. All fund equity amounts pertaining to the enterprise fund have been classified as retained earnings.

**N. 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 create a reserve for budget stabilization.

**O. 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.

**P. Total Columns on General-Purpose Financial Statements**

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

**NOTE 3 - 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 and Actual (Budget Basis) - Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Proprietary Fund Types 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).

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2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, and Drug Free special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Governmental Funds	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 180,862	\$16,615	(\$13,549)	\$12,562
Revenue accruals	(12,753)	48,546		(6,320)
Expenditure accruals	(47,779)	(51,440)		(9,678)
Encumbrances	59,056	6,892		90,880
GAAP basis	<u>\$179,386</u>	<u>\$20,613</u>	<u>(\$13,549)</u>	<u>\$87,444</u>

Proprietary Funds	<u>Enterprise</u>
Budget basis	\$3,454
Revenue accrual	11,536
Expense accrual	15,296
Encumbrances	11,334
GAAP basis	<u>\$11,048</u>

**NOTE 4 - 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.

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

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At fiscal year end, the School District had \$50 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

At fiscal year end, the School District had \$5,977 in cash and cash equivalents with fiscal agents which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents". The Western Buckeye 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 and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$77,511 and the bank balance was \$147,705. The entire bank balance was covered by federal depository insurance or securities held by the financial institutions trust department in the School District's name.

Investments - The School District's investments consist solely of STAR Ohio, an investment pool operated by the Ohio State Treasurer. These are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAR Ohio	\$1,700,000	\$1,700,000

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$1,783,538	
Cash with Educational Service Center	(5,977)	
Cash on Hand	(50)	
Investments:		
STAR Ohio	(1,700,000)	\$1,700,000
GASB Statement 3	\$77,511	\$1,700,000

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the

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assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current 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 Paulding County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current 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 is recognized as revenue.

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

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$30,109,820	77.48%	\$38,849,230	82.31%
Public Utility	3,190,440	8.21%	3,202,810	6.79%
Tangible Personal Property	5,563,267	14.31%	5,144,399	10.90%
Total Assessed Value	<u>\$38,863,527</u>	<u>100.00%</u>	<u>\$47,196,439</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.70		\$44.40	

**NOTE 6 - INCOME TAX**

The School District levies a voted tax of .75% for general operations on the income of residents and of estates. The permanent tax was approved by the voters on November 1990, and is effective January 1, 1991. 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



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District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 7 - RECEIVABLES**

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

**NOTE 8 - FIXED ASSETS**

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

Furniture and Equipment	\$72,293
Less: Accumulated Depreciation	<u>53,587</u>
Net Fixed Assets	<u><u>\$18,706</u></u>

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$88,057	\$24,804		\$112,861
Buildings and Improvements	2,534,330	530,635		3,064,965
Furniture, Fixtures, and Equipment	1,213,983	64,922	(\$4,667)	1,274,238
Construction in Progress		11,204		11,204
Vehicles	<u>523,698</u>	<u>13,800</u>		<u>537,498</u>
Total	<u><u>\$4,360,068</u></u>	<u><u>\$645,365</u></u>	<u><u>(\$4,667)</u></u>	<u><u>\$5,000,766</u></u>

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents (\$250 deductible)	Replacement Cost
Inland Marine Coverage:	
Musical Instruments (No deductible)	\$95,641
Photo Equipment (No deductible)	55,000
Radios (No deductible)	2,523
EDP (\$100 deductible)	82,130
Boiler and Machinery (\$1,000 deductible)	15,265,400
Crime Insurance	1,000
Automobile Liability (\$500 deductible)	2,000,000
Uninsured Motorists	1,000,000

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Umbrella Liability	
Per occurrence	3,000,000
Total per year	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 coverage from the prior fiscal year.

**B. Employee Medical Benefits**

As of June 30, 1999 the School District has contracted through the Paulding County Schools Council with Medical Mutual of Ohio as third party provider to provide employee medical/surgical benefits and also dental benefits. Rates are set through an annual calculation process. The School District and the employees share the cost of the monthly premium with the Board. For fiscal year 1999, the School District's and employees' premiums were \$526.57 and \$54.06 for family coverage and \$256.28 and \$0.00 for single coverage per employee per month, respectively.

**C. Workers' Compensation**

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

Each participant pays its workers' compensation premium to the State based on the rate for the performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Anthem Comp. Services provided administrative, cost control and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. Prior to July 1, 1998 the portion used to fund pension obligations was 9.02 percent. Contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$64,152, \$57,974 and \$55,228, respectively; 47 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$33,696 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$276,095, \$268,481 and \$254,888, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$44,279 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

**A. School Employees Retirement System**

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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

For fiscal year 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount to fund health care benefits, including the surcharge, was \$40,258 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 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**B. State Teachers Retirement System**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. Through June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the School District, this amount equaled \$157,768 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal 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 the rate of one and one-fourth days per month which is 15 days annually. For administrators, teachers, and classified employees, such days shall accumulate equal to 235 days. Vested sick leave is accumulated and, if unused, is paid upon retirement at the rate of one-fourth of the accumulated sick leave when an employee has 10 years with the School District. Administrative, certified, and classified employees are limited to a maximum of 45 paid days.

**B. Life Insurance**

The School District provides life insurance to most employees through the Medical Life Insurance Company.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 13 - LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Asbestos Loan - Interest Free	\$47,188		\$5,000	\$42,188
House Bill #264 Loan 10 years 5.9% interest rate	167,396		32,500	134,896
Compensated Absences	234,824	\$127,908		362,732
Intergovernmental Payables	15,131	18,532	15,131	18,532
<b>Total General Long- Term Obligations</b>	<u>\$464,539</u>	<u>\$146,440</u>	<u>\$52,631</u>	<u>\$558,348</u>

Compensated absences and intergovernmental payables will be paid from the fund which the employers salary is paid. Compensated absences, additions and deletions have been netted because the calculation is an estimate making it impractical to determine.

The annual requirements to amortize all debt outstanding as of June 30, 1999, including interest payments of \$16,639 are as follows:

Year Ending June 30,	Payable Asbestos Loan	House Bill # 264	Total
2000	\$5,000	\$39,500	\$44,500
2001	5,000	37,583	42,583
2002	5,000	35,665	40,665
2003	5,000	33,747	38,747
2004	5,000	5,040	10,040
2005-Thereafter	17,188		17,188
<b>Total</b>	<u>\$42,188</u>	<u>\$151,535</u>	<u>\$193,723</u>

No new debt was issued during fiscal year 1999.

House Bill #264 Loan was entered into in 1995. The 5.9%, \$325,000 loan was issued for the purpose of purchasing and installing energy conservation measures. The District will make annual payments through fiscal year 2004.

The Asbestos Loan was entered into in 1988 through the United States Environmental Protection Agency. The purpose of this loan is to provide revenues for the removal of asbestos from school buildings. This interest free promissory note maturing in fiscal year 2008 had an original principal amount of \$102,068. The District will make semi-annual installments of \$2,500.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 14 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/1998			\$13,557	\$13,557
Required Set-Aside	\$68,432	\$68,432	34,229	171,093
Offset Credits	(12,092)	(94,568)		(106,660)
Qualifying Expenditures	(78,643)	(15,114)		(93,757)
Total	<u>(22,303)</u>	<u>(41,250)</u>	<u>47,786</u>	<u>(15,767)</u>
Cash balance carried forward to following year 1999			<u>\$47,786</u>	<u>\$47,786</u>

Although the School District had off-sets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains four 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 District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Pool	Preschool Tuition	Total Enterprise Funds
Operating Revenues	\$154,501	\$ 40,705	\$ 2,003	\$11,916	\$209,125
Operating Expenses					
Less Depreciation	180,126	40,232	3,408	12,951	236,717
Depreciation Expense	3,406				3,406
Operating Income(Loss)	(29,031)	473	(1,405)	(1,035)	(30,998)
Donated Commodities	11,537				11,537
Operating Grants	30,509				30,509
Net Income (Loss)	13,015	473	(1,405)	(1,035)	11,048
Net Working Capital	97,633	31,906	4,757	4,220	138,516
Total Assets	125,924	36,402	4,760	5,160	172,246
Total Equity	107,180	31,906	4,757	4,220	148,063
Encumbrances Outstanding at June 30, 1999	5,041	6,293			11,334

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Marys and Wapakoneta. 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 NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District has an equity interest that is explicit and measurable in that the joint venture agreement stipulates that the participants have a future claim to the net resources of NOACSC upon dissolution. The agreement sets forth the method to determine each members' proportionate share.

**Vantage Vocational School**

The Vantage Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Vocational School, Ella J. Jackson, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891.

**Paulding County Schools Council**

The Paulding County Schools Council is a jointly governed organization among the Boards of Education of Antwerp Local School District, Paulding County Board of Education, Paulding Exempted Village School District and Wayne Trace Local School District. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. To obtain financial information write to the Paulding County School Council, Paul Clark, who serves as chairman, at PO Box 176, Paulding, Ohio 45879-0176.

**NOTE 17 - GROUP PURCHASING POOL**

**Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan**

The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code § 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

**The Paulding County School Council's Employee Insurance Benefits Program**

The Paulding County School Council's Employee Insurance Benefits Program includes a health insurance plan. The plan is a risk-sharing pool among the Boards of Education of Antwerp Local School District, Paulding County Board of Education, Paulding Exempted Village School District and Wayne Trace Local School District. The purpose of the plan is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of a representative from each of the member school districts. The degree of control exercised by any participating member is limited to its representation on the council.

Financial information can be obtained from Paul Clark, who serves as chairman, at P.O. Box 176, Paulding, Ohio 45879-0176.

**NOTE 18 - SCHOOL FOUNDATION PROGRAM**

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 \$2,451,514 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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.



**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

**NOTE 19 - CONTINGENCIES**

**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.

**NOTE 20 - OUTSTANDING CONTRACTUAL COMMITMENTS**

As of June 30, 1999 the District had outstanding commitments of \$81,009 in the Capital Project fund 010 for its ADA Grant project.

**NOTE 21 - SUBSEQUENT EVENTS**

In fiscal year 2000, the District to was approved for a grant from the Ohio School Facilities Commission for a \$20,380,036 building construction and renovation project. The project will be financed by a \$17,119,036 grant from the Ohio School Facilities Commission and through issuance of bonds in the amount of \$3,261,000. The bond issue will be repaid from the proceeds of a 4.95 mill tax levy approved by the voters of the District on November 7, 2000.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

Antwerp Local School District  
Paulding County  
Archer Drive  
P.O. Box AA  
Antwerp, Ohio 45813

To the Board of Education:

We have audited the financial statements of Antwerp Local School District, Paulding County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 14, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted 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 14, 2000.

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

This report is intended for the information and use of 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 14, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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800-282-0370  
Facsimile 614-466-4490

**ANTWERP LOCAL SCHOOL DISTRICT**

**PAULDING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 11, 2001**