



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

---

**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Lakota Local School District  
Sandusky County  
356 Union Street  
PO Box 5  
Risingsun, Ohio 43457-0005

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Lakota Local School District, Sandusky County, (the School 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 School 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 School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund 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 February 24, 2000 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**Jim Petro**  
Auditor of State

February 24, 2000

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

|   | <u>Governmental Fund Types</u> |                            |                         |                             |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
| <b>ASSETS AND OTHER DEBITS</b>  |                                |                            |                         |                             |
| <b>Assets:</b>  |                                |                            |                         |                             |
| Equity in pooled cash and cash equivalents  | \$742,032                      | \$328,798                  | \$21,021                | \$182,291                   |
| Equity in pooled cash and cash equivalents -<br>nonexpendable trust fund            |                                |                            |                         |                             |
| Receivables (net of allowances of uncollectibles):                                  |                                |                            |                         |                             |
| Property taxes - current and delinquent   | 3,039,154                      |                            |                         |                             |
| Accounts  |                                |                            |                         |                             |
| Due from other funds  |                                |                            |                         |                             |
| Due from other governments  |                                | 21,075                     |                         |                             |
| Advances to other funds   | 15,338                         |                            |                         |                             |
| Prepayments   | 2,417                          |                            |                         |                             |
| Materials and supplies inventory  |                                |                            |                         |                             |
| Restricted assets:  |                                |                            |                         |                             |
| Equity in pooled cash and cash equivalents  | 85,975                         |                            |                         |                             |
| Property, plant and equipment (net of accumulated<br>depreciation where applicable) |                                |                            |                         |                             |
| <b>Other debits:</b>  |                                |                            |                         |                             |
| Amount available in Debt Service fund   |                                |                            |                         |                             |
| Amount to be provided for retirement of<br>General Long-Term Obligations            |                                |                            |                         |                             |
| <b>Total assets and other debits</b>  | <b><u>\$3,884,916</u></b>      | <b><u>\$349,873</u></b>    | <b><u>\$21,021</u></b>  | <b><u>\$182,291</u></b>     |



| <u>Proprietary Fund Types</u> |                         | <u>Fiduciary Fund Types</u> | <u>Account Groups</u>       |                                      | <u>Total (Memorandum Only)</u> |
|-------------------------------|-------------------------|-----------------------------|-----------------------------|--------------------------------------|--------------------------------|
| <u>Enterprise</u>             | <u>Internal Service</u> | <u>Trust and Agency</u>     | <u>General Fixed Assets</u> | <u>General Long-Term Obligations</u> |                                |
| \$186,032                     | \$17,453                | \$27,182                    | \$0                         | \$0                                  | \$1,504,809                    |
|                               |                         | 9,499                       |                             |                                      | 9,499                          |
|                               |                         |                             |                             |                                      | 3,039,154                      |
| 49                            |                         |                             |                             |                                      | 49                             |
|                               | 8,673                   |                             |                             |                                      | 8,673                          |
| 15,224                        |                         |                             |                             |                                      | 36,299                         |
|                               |                         |                             |                             |                                      | 15,338                         |
|                               |                         |                             |                             |                                      | 2,417                          |
| 2,079                         |                         |                             |                             |                                      | 2,079                          |
|                               |                         |                             |                             |                                      | 85,975                         |
| 36,015                        |                         |                             | 6,926,548                   |                                      | 6,962,563                      |
|                               |                         |                             |                             | 21,021                               | 21,021                         |
|                               |                         |                             |                             | 841,584                              | 841,584                        |
| <b>\$239,399</b>              | <b>\$26,126</b>         | <b>\$36,681</b>             | <b>\$6,926,548</b>          | <b>\$862,605</b>                     | <b>\$12,529,460</b>            |

(Continued)

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

|   | Governmental Fund Types |                    |                 |                     |
|---|-------------------------|--------------------|-----------------|---------------------|
|   | General                 | Special<br>Revenue | Debt<br>Service | Capital<br>Projects |
| <b>LIABILITIES, EQUITY AND OTHER CREDITS</b>              |                         |                    |                 |                     |
| <b>Liabilities:</b>                                       |                         |                    |                 |                     |
| Accounts payable  | \$87,716                | \$7,105            | \$0             | \$0                 |
| Accrued wages and benefits                                | 590,779                 | 14,778             |                 |                     |
| Compensated absences payable                              | 27,789                  |                    |                 |                     |
| Pension obligation payable                                | 105,896                 | 11,290             |                 |                     |
| Advances from other funds                                 |                         | 15,338             |                 |                     |
| Deferred revenue  | 2,629,729               |                    |                 |                     |
| Due to other funds  |                         |                    |                 |                     |
| Due to students   |                         |                    |                 |                     |
| Claims payable  |                         |                    |                 |                     |
| Energy conservation notes payable                         |                         |                    |                 |                     |
|   |                         |                    |                 |                     |
| Total liabilities   | 3,441,909               | 48,511             | 0               | 0                   |
| <b>Equity and other credits:</b>                          |                         |                    |                 |                     |
| Investment in general fixed assets                        |                         |                    |                 |                     |
| Retained earnings: unreserved                             |                         |                    |                 |                     |
| Fund balances:  |                         |                    |                 |                     |
| Reserved for encumbrances                                 | 184,268                 | 17,566             |                 | 1,644               |
| Reserved for prepayments                                  | 2,417                   |                    |                 |                     |
| Reserved for debt service                                 |                         |                    | 21,021          |                     |
| Reserved for tax revenue unavailable<br>for appropriation | 409,425                 |                    |                 |                     |
| Reserved for principal endowment                          |                         |                    |                 |                     |
| Reserved for budget stabilization                         | 56,995                  |                    |                 |                     |
| Reserved for textbooks                                    | 28,980                  |                    |                 |                     |
| Reserved for advances                                     | 15,338                  |                    |                 |                     |
| Unreserved-undesignated                                   | (254,416)               | 283,796            |                 | 180,647             |
|   |                         |                    |                 |                     |
| Total equity and other credits                            | 443,007                 | 301,362            | 21,021          | 182,291             |
| <b>Total liabilities, equity and other credits</b>        | <b>\$3,884,916</b>      | <b>\$349,873</b>   | <b>\$21,021</b> | <b>\$182,291</b>    |

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

| Proprietary Fund Types |                  | Fiduciary Fund Types | Account Groups       |                               | Total<br>(Memorandum Only) |
|------------------------|------------------|----------------------|----------------------|-------------------------------|----------------------------|
| Enterprise             | Internal Service | Trust and Agency     | General Fixed Assets | General Long-Term Obligations |                            |
| \$6,726                | \$735            | \$500                | \$0                  | \$0                           | \$102,782                  |
| 19,694                 |                  |                      |                      |                               | 625,251                    |
| 10,700                 |                  |                      |                      | 763,126                       | 801,615                    |
| 18,538                 |                  |                      |                      | 67,459                        | 203,183                    |
|                        |                  |                      |                      |                               | 15,338                     |
| 536                    |                  |                      |                      |                               | 2,630,265                  |
|                        | 8,673            |                      |                      |                               | 8,673                      |
|                        |                  | 22,860               |                      |                               | 22,860                     |
|                        | 9,861            |                      |                      |                               | 9,861                      |
|                        |                  |                      |                      | 32,020                        | 32,020                     |
| <u>56,194</u>          | <u>19,269</u>    | <u>23,360</u>        | <u>0</u>             | <u>862,605</u>                | <u>4,451,848</u>           |
|                        |                  |                      | 6,926,548            |                               | 6,926,548                  |
| 183,205                | 6,857            |                      |                      |                               | 190,062                    |
|                        |                  |                      |                      |                               | 203,478                    |
|                        |                  |                      |                      |                               | 2,417                      |
|                        |                  |                      |                      |                               | 21,021                     |
|                        |                  |                      |                      |                               | 409,425                    |
|                        |                  | 12,784               |                      |                               | 12,784                     |
|                        |                  |                      |                      |                               | 56,995                     |
|                        |                  |                      |                      |                               | 28,980                     |
|                        |                  |                      |                      |                               | 15,338                     |
|                        |                  | 537                  |                      |                               | 210,564                    |
| <u>183,205</u>         | <u>6,857</u>     | <u>13,321</u>        | <u>6,926,548</u>     | <u>0</u>                      | <u>8,077,612</u>           |
| <u>\$239,399</u>       | <u>\$26,126</u>  | <u>\$36,681</u>      | <u>\$6,926,548</u>   | <u>\$862,605</u>              | <u>\$12,529,460</u>        |

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

|  | <b>Governmental Fund Types</b> |                            |
|--|--------------------------------|----------------------------|
|  | <b>General</b>                 | <b>Special<br/>Revenue</b> |
| <b>Revenues:</b>   |                                |                            |
| From local sources:  |                                |                            |
| Taxes  | \$2,716,163                    | \$0                        |
| Tuition  | 546                            |                            |
| Earnings on investments  | 85,548                         | 865                        |
| Other local revenues   | 54,169                         | 111,612                    |
| Other revenue  | 34,625                         |                            |
| Intergovernmental - State  | 4,888,229                      | 120,501                    |
| Intergovernmental - Federal  |                                | 434,046                    |
| Total revenue  | <u>7,779,280</u>               | <u>667,024</u>             |
| <b>Expenditures:</b>   |                                |                            |
| Current:   |                                |                            |
| Instruction:   |                                |                            |
| Regular  | 3,280,295                      | 38,869                     |
| Special  | 693,153                        | 242,627                    |
| Vocational   | 9,097                          |                            |
| Other  | 340,668                        |                            |
| Support services:  |                                |                            |
| Pupil  | 263,452                        | 24,749                     |
| Instructional staff  | 155,999                        | 17,633                     |
| Board of Education   | 368,331                        |                            |
| Administration   | 893,133                        | 54,016                     |
| Fiscal   | 189,132                        | 3,706                      |
| Business   | 4,472                          |                            |
| Operations and maintenance   | 621,306                        | 5,515                      |
| Pupil transportation   | 551,415                        | 23,014                     |
| Community services   | 492                            | 44,570                     |
| Extracurricular activities   | 166,167                        | 92,425                     |
| Facilities services  | 70,785                         |                            |
| Debt service:  |                                |                            |
| Principal retirement   |                                |                            |
| Interest and fiscal charges  |                                |                            |
| Total expenditures   | <u>7,607,897</u>               | <u>547,124</u>             |
| Excess of revenues over (under) expenditures   | <u>171,383</u>                 | <u>119,900</u>             |
| <b>Other financing sources (uses):</b>   |                                |                            |
| Operating transfers in   |                                | 7,327                      |
| Operating transfers out  | (8,818)                        |                            |
| Total other financing sources (uses)   | <u>(8,818)</u>                 | <u>7,327</u>               |
| Excess of revenues and other financing sources over<br>(under) expenditures and other financing uses | 162,565                        | 127,227                    |
| Fund balance, July 1   | 280,442                        | 174,135                    |
| <b>Fund balance, June 30</b>   | <u><b>\$443,007</b></u>        | <u><b>\$301,362</b></u>    |

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

| Governmental Fund Types |                  | Fiduciary Fund Type | Total (Memorandum Only) |
|-------------------------|------------------|---------------------|-------------------------|
| Debt Service            | Capital Projects | Expendable Trust    |                         |
| \$0                     | \$0              | \$0                 | \$2,716,163             |
|                         |                  |                     | 546                     |
|                         |                  |                     | 86,413                  |
|                         |                  | 732                 | 166,513                 |
|                         |                  | 3,941               | 38,566                  |
|                         | 616,550          |                     | 5,625,280               |
|                         |                  |                     | 434,046                 |
| 0                       | 616,550          | 4,673               | 9,067,527               |
|                         |                  |                     |                         |
|                         | 2,051            |                     | 3,321,215               |
|                         |                  |                     | 935,780                 |
|                         |                  |                     | 9,097                   |
|                         |                  |                     | 340,668                 |
|                         |                  |                     | 288,201                 |
|                         | 31,859           |                     | 205,491                 |
|                         |                  | 706                 | 369,037                 |
|                         |                  |                     | 947,149                 |
|                         |                  |                     | 192,838                 |
|                         |                  |                     | 4,472                   |
|                         | 4,750            |                     | 631,571                 |
|                         |                  |                     | 574,429                 |
|                         |                  |                     | 45,062                  |
|                         |                  |                     | 258,592                 |
|                         | 433,154          |                     | 503,939                 |
| 29,944                  |                  |                     | 29,944                  |
| 4,492                   |                  |                     | 4,492                   |
| 34,436                  | 471,814          | 706                 | 8,661,977               |
| (34,436)                | 144,736          | 3,967               | 405,550                 |
|                         |                  |                     |                         |
|                         |                  |                     | 7,327                   |
|                         |                  |                     | (8,818)                 |
| 0                       | 0                | 0                   | (1,491)                 |
|                         |                  |                     |                         |
| (34,436)                | 144,736          | 3,967               | 404,059                 |
| 55,457                  | 37,555           | 355                 | 547,944                 |
| <b>\$21,021</b>         | <b>\$182,291</b> | <b>\$4,322</b>      | <b>\$952,003</b>        |

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

|   | General Fund          |                  |   | Special Revenue     |                  |   |
|---|-----------------------|------------------|---|---------------------|------------------|---|
|   | Revised<br>Budget     | Actual           | Variance:<br>Favorable<br>(Unfavorable) | Revised<br>Budget   | Actual           | Variance:<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>  |                       |                  |   |                     |                  |   |
| From local sources:   |                       |                  |   |                     |                  |   |
| Taxes   | \$2,213,262           | \$2,635,984      | \$422,722                               | \$0                 | \$0              | \$0                                     |
| Tuition   | 458                   | 546              | 88                                      |                     |                  |   |
| Earnings on investments   | 71,829                | 85,548           | 13,719                                  | 591                 | 865              | 274                                     |
| Other local revenues  | 38,271                | 45,579           | 7,308                                   | 76,453              | 111,974          | 35,521                                  |
| Other revenue   | 32,794                | 39,058           | 6,264                                   |                     |                  |   |
| Intergovernmental - State   | 4,104,323             | 4,888,230        | 783,907                                 | 87,150              | 127,641          | 40,491                                  |
| Intergovernmental - Federal   |                       |                  |   | 313,141             | 458,630          | 145,489                                 |
| <b>Total revenues</b>   | <b>6,460,937</b>      | <b>7,694,945</b> | <b>1,234,008</b>                        | <b>477,335</b>      | <b>699,110</b>   | <b>221,775</b>                          |
| <b>Expenditures:</b>  |                       |                  |   |                     |                  |   |
| Current:  |                       |                  |   |                     |                  |   |
| Instruction:  |                       |                  |   |                     |                  |   |
| Regular   | 3,435,576             | 3,302,283        | 133,293                                 | 47,417              | 44,652           | 2,765                                   |
| Special   | 584,491               | 691,395          | (106,904)                               | 389,751             | 259,092          | 130,659                                 |
| Vocational  | 10,500                | 8,589            | 1,911                                   |                     |                  |   |
| Other   | 615,000               | 347,863          | 267,137                                 |                     |                  |   |
| Support services:   |                       |                  |   |                     |                  |   |
| Pupil   | 222,851               | 266,849          | (43,998)                                | 58,391              | 27,617           | 30,774                                  |
| Instructional staff   | 152,477               | 156,571          | (4,094)                                 | 21,679              | 20,624           | 1,055                                   |
| Board of Education  | 735,640               | 367,315          | 368,325                                 |                     |                  |   |
| Administration  | 506,637               | 862,266          | (355,629)                               | 84,092              | 59,888           | 24,204                                  |
| Fiscal  | 203,700               | 188,252          | 15,448                                  | 6,358               | 3,690            | 2,668                                   |
| Business  | 9,300                 | 4,472            | 4,828                                   |                     |                  |   |
| Operations and maintenance  | 634,889               | 620,815          | 14,074                                  | 11,046              | 6,299            | 4,747                                   |
| Pupil transportation  | 835,836               | 643,121          | 192,715                                 | 38,966              | 17,434           | 21,532                                  |
| Community services  | 10                    |                  | 10                                      | 55,371              | 45,422           | 9,949                                   |
| Extracurricular activities  | 203,600               | 165,493          | 38,107                                  | 95,825              | 95,750           | 75                                      |
| Facilities services   | 195,600               | 77,939           | 117,661                                 |                     |                  |   |
| Debt service:   |                       |                  |   |                     |                  |   |
| Principal retirement  |                       |                  |   |                     |                  |   |
| Interest and fiscal charges   |                       |                  |   |                     |                  |   |
| <b>Total expenditures</b>   | <b>8,346,107</b>      | <b>7,703,223</b> | <b>642,884</b>                          | <b>808,896</b>      | <b>580,468</b>   | <b>228,428</b>                          |
| Excess of revenues<br>over (under) expenditures   | (1,885,170)           | (8,278)          | 1,876,892                               | (331,561)           | 118,642          | 450,203                                 |
| <b>Other financing sources (uses):</b>  |                       |                  |   |                     |                  |   |
| Refund of prior year's expenditures   | 3,490                 | 4,156            | 666                                     |                     |                  |   |
| Operating transfers in  | 6,632                 | 6,708            | 76                                      | 5,003               | 7,327            | 2,324                                   |
| Operating transfers (out)   | (29,000)              | (15,527)         | 13,473                                  |                     |                  |   |
| Advances in   | 28,155                | 33,533           | 5,378                                   |                     |                  |   |
| Advances (out)  | (6,000)               |                  | 6,000                                   | (33,533)            | (33,533)         | 0                                       |
| <b>Total other financing sources (uses)</b>   | <b>3,277</b>          | <b>28,870</b>    | <b>25,593</b>                           | <b>(28,530)</b>     | <b>(26,206)</b>  | <b>2,324</b>                            |
| Excess of revenues and other financing<br>sources over (under) expenditures<br>and other financing (uses) | (1,881,893)           | 20,592           | 1,902,485                               | (360,091)           | 92,436           | 452,527                                 |
| Fund balance, July 1  | 551,467               | 551,467          | 0                                       | 180,735             | 180,735          | 0                                       |
| Prior year encumbrances appropriated  | 34,340                | 34,340           | 0                                       | 32,440              | 32,440           | 0                                       |
| <b>Fund balance, June 30</b>  | <b>( \$1,296,086)</b> | <b>\$606,399</b> | <b>\$1,902,485</b>                      | <b>( \$146,916)</b> | <b>\$305,611</b> | <b>\$452,527</b>                        |

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

| Debt Service    |                 |                                   | Capital Projects |                  |                                   | Total (Memorandum only) |                    |                                   |
|-----------------|-----------------|-----------------------------------|------------------|------------------|-----------------------------------|-------------------------|--------------------|-----------------------------------|
| Budget Revised  | Actual          | Variance: Favorable (Unfavorable) | Budget Revised   | Actual           | Variance: Favorable (Unfavorable) | Budget Revised          | Actual             | Variance: Favorable (Unfavorable) |
| \$0             | \$0             | \$0                               | \$0              | \$0              | \$0                               | \$2,213,262             | \$2,635,984        | \$422,722                         |
|                 |                 |                                   |                  |                  |                                   | 458                     | 546                | 88                                |
|                 |                 |                                   |                  |                  |                                   | 72,420                  | 86,413             | 13,993                            |
|                 |                 |                                   |                  |                  |                                   | 114,724                 | 157,553            | 42,829                            |
| 34,436          | 0               | (34,436)                          |                  | 616,551          | 616,551                           | 67,230                  | 39,058             | (28,172)                          |
|                 |                 |                                   |                  |                  |                                   | 4,191,473               | 5,632,422          | 1,440,949                         |
|                 |                 |                                   |                  |                  |                                   | 313,141                 | 458,630            | 145,489                           |
| 34,436          | 0               | (34,436)                          |                  | 616,551          | 616,551                           | 6,972,708               | 9,010,606          | 2,037,898                         |
|                 |                 |                                   | 2,968            | 2,968            | 0                                 | 3,485,961               | 3,349,903          | 136,058                           |
|                 |                 |                                   |                  |                  |                                   | 974,242                 | 950,487            | 23,755                            |
|                 |                 |                                   |                  |                  |                                   | 10,500                  | 8,589              | 1,911                             |
|                 |                 |                                   |                  |                  |                                   | 615,000                 | 347,863            | 267,137                           |
|                 |                 |                                   | 36,042           | 33,504           | 2,538                             | 281,242                 | 294,466            | (13,224)                          |
|                 |                 |                                   |                  |                  |                                   | 210,198                 | 210,699            | (501)                             |
|                 |                 |                                   |                  |                  |                                   | 735,640                 | 367,315            | 368,325                           |
|                 |                 |                                   |                  |                  |                                   | 590,729                 | 922,154            | (331,425)                         |
|                 |                 |                                   |                  |                  |                                   | 210,058                 | 191,942            | 18,116                            |
|                 |                 |                                   |                  |                  |                                   | 9,300                   | 4,472              | 4,828                             |
|                 |                 |                                   |                  | 4,750            | (4,750)                           | 645,935                 | 631,864            | 14,071                            |
|                 |                 |                                   |                  |                  |                                   | 874,802                 | 660,555            | 214,247                           |
|                 |                 |                                   |                  |                  |                                   | 55,381                  | 45,422             | 9,959                             |
|                 |                 |                                   |                  |                  |                                   | 299,425                 | 261,243            | 38,182                            |
|                 |                 |                                   |                  | 426,001          | (426,001)                         | 195,600                 | 503,940            | (308,340)                         |
| 35,000          | 29,944          | 5,056                             |                  |                  |                                   | 35,000                  | 29,944             | 5,056                             |
| 500             | 4,492           | (3,992)                           |                  |                  |                                   | 500                     | 4,492              | (3,992)                           |
| 35,500          | 34,436          | 1,064                             | 39,010           | 467,223          | (428,213)                         | 9,229,513               | 8,785,350          | 444,163                           |
| (1,064)         | (34,436)        | (33,372)                          | (39,010)         | 149,328          | 188,338                           | (2,256,805)             | 225,256            | 2,482,061                         |
|                 |                 |                                   |                  |                  |                                   | 3,490                   | 4,156              | 666                               |
|                 |                 |                                   |                  |                  |                                   | 11,635                  | 14,035             | 2,400                             |
|                 |                 |                                   |                  |                  |                                   | (29,000)                | (15,527)           | 13,473                            |
|                 |                 |                                   |                  |                  |                                   | 28,155                  | 33,533             | 5,378                             |
|                 |                 |                                   |                  |                  |                                   | (39,533)                | (33,533)           | 6,000                             |
| 0               | 0               | 0                                 | 0                | 0                | 0                                 | (25,253)                | 2,664              | 27,917                            |
| (1,064)         | (34,436)        | (33,372)                          | (39,010)         | 149,328          | 188,338                           | (2,282,058)             | 227,920            | 2,509,978                         |
| 55,457          | 55,457          | 0                                 | 36,379           | 36,379           | 0                                 | 824,038                 | 824,038            | 0                                 |
|                 |                 |                                   | 2,093            | 2,093            | 0                                 | 68,873                  | 68,873             | 0                                 |
| <b>\$54,393</b> | <b>\$21,021</b> | <b>( \$33,372)</b>                | <b>( \$538)</b>  | <b>\$187,800</b> | <b>\$188,338</b>                  | <b>( \$1,389,147)</b>   | <b>\$1,120,831</b> | <b>\$2,509,978</b>                |

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

|  | Proprietary Fund Types  |                       | Fiduciary<br>Fund Type | Total<br>(Memorandum<br>Only) |
|--|-------------------------|-----------------------|------------------------|-------------------------------|
|  | Enterprise              | Internal<br>Service   | Nonexpendable<br>Trust |                               |
| <b>Operating revenues:</b>                       |                         |                       |                        |                               |
| Tuition and fees                                 | \$55,117                | \$0                   | \$0                    | \$55,117                      |
| Sales/charges for services                       | 217,400                 | 63,820                |                        | 281,220                       |
| Investment earnings                              |                         |                       | 489                    | 489                           |
| Other operating revenues                         | 5                       |                       | 750                    | 755                           |
| Total operating revenues                         | <u>272,522</u>          | <u>63,820</u>         | <u>1,239</u>           | <u>337,581</u>                |
| <b>Operating expenses:</b>                       |                         |                       |                        |                               |
| Personal services                                | 156,008                 |                       |                        | 156,008                       |
| Contract services                                | 12,398                  | 735                   |                        | 13,133                        |
| Materials and supplies                           | 225,899                 |                       |                        | 225,899                       |
| Depreciation                                     | 5,864                   |                       |                        | 5,864                         |
| Other operating expenses                         | 16                      |                       | 1,350                  | 1,366                         |
| Claims expense                                   |                         | 69,865                |                        | 69,865                        |
| Total operating expenses                         | <u>400,185</u>          | <u>70,600</u>         | <u>1,350</u>           | <u>472,135</u>                |
| Operating loss                                   | <u>(127,663)</u>        | <u>(6,780)</u>        | <u>(111)</u>           | <u>(134,554)</u>              |
| <b>Nonoperating revenues:</b>                    |                         |                       |                        |                               |
| Operating grants                                 | 116,989                 |                       |                        | 116,989                       |
| Interest revenue                                 | 6,807                   |                       |                        | 6,807                         |
| Federal commodities                              | 39,376                  |                       |                        | 39,376                        |
| Total nonoperating revenues                      | <u>163,172</u>          | <u>0</u>              | <u>0</u>               | <u>163,172</u>                |
| Net income (loss) before operating transfers     | 35,509                  | (6,780)               | (111)                  | 28,618                        |
| Operating transfers in                           | 1,491                   |                       |                        | 1,491                         |
| Net income (loss)                                | 37,000                  | (6,780)               | (111)                  | 30,109                        |
| Retained earnings/fund balance at July 1         | 146,205                 | 13,637                | 9,110                  | 168,952                       |
| <b>Retained earnings/fund balance at June 30</b> | <b><u>\$183,205</u></b> | <b><u>\$6,857</u></b> | <b><u>\$8,999</u></b>  | <b><u>\$199,061</u></b>       |

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



**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

|  | Proprietary Fund Types |                     | Fiduciary<br>Fund Type | Total<br>(Memorandum<br>Only) |
|--|------------------------|---------------------|------------------------|-------------------------------|
|  | Enterprise             | Internal<br>Service | Nonexpendable<br>Trust |                               |
| <b>Cash flows from operating activities:</b>   |                        |                     |                        |                               |
| Cash received from tuition and fees  | \$55,068               | \$0                 | \$0                    | \$55,068                      |
| Cash received from sales/service charges   | 217,400                | 63,820              |                        | 281,220                       |
| Cash received from other operations  |                        |                     | 750                    | 750                           |
| Cash payments for personal services  | (153,732)              |                     |                        | (153,732)                     |
| Cash payments for contract services  | (12,398)               |                     |                        | (12,398)                      |
| Cash payments supplies and materials   | (179,298)              |                     |                        | (179,298)                     |
| Cash payments for claims expenses  |                        | (71,397)            |                        | (71,397)                      |
| Cash payments for other expenses   |                        |                     | (850)                  | (850)                         |
| Net cash provided (used) by operating activities   | (72,960)               | (7,577)             | (100)                  | (80,637)                      |
| <b>Cash flows from noncapital financing activities:</b>  |                        |                     |                        |                               |
| Cash received from operating grants  | 113,750                |                     |                        | 113,750                       |
| Cash received from operating transfers   | 1,491                  |                     |                        | 1,491                         |
| Net cash provided by noncapital financing activities   | 115,241                | 0                   | 0                      | 115,241                       |
| <b>Cash flows from capital and related financing activities:</b>                                     |                        |                     |                        |                               |
| Acquisition of capital assets  | (5,486)                | 0                   | 0                      | (5,486)                       |
| <b>Cash flows from investing activities:</b>   |                        |                     |                        |                               |
| Interest received  | 6,807                  | 0                   | 489                    | 7,296                         |
| Net increase (decrease) in cash and cash equivalents   | 43,602                 | (7,577)             | 389                    | 36,414                        |
| Cash and cash equivalents at beginning of year   | 142,430                | 25,030              | 9,110                  | 176,570                       |
| <b>Cash and cash equivalents at end of year</b>  | <b>\$186,032</b>       | <b>\$17,453</b>     | <b>\$9,499</b>         | <b>\$212,984</b>              |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b> |                        |                     |                        |                               |
| Operating loss   | (\$127,663)            | (\$6,780)           | (\$111)                | (\$134,554)                   |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities:         |                        |                     |                        |                               |
| Depreciation   | 5,864                  |                     |                        | 5,864                         |
| Federal donated commodities  | 39,376                 |                     |                        | 39,376                        |
| Interest reported as operating income  |                        |                     | (489)                  | (489)                         |
| Changes in assets and liabilities:   |                        |                     |                        |                               |
| Increase in accounts receivable  | (49)                   |                     |                        | (49)                          |
| Decrease in supplies inventory   | 1,002                  |                     |                        | 1,002                         |
| Increase in accounts payable   | 6,515                  | 735                 | 500                    | 7,750                         |
| Increase in accrued wages & benefits   | 294                    |                     |                        | 294                           |
| Increase in compensated absences payable   | 1,439                  |                     |                        | 1,439                         |
| Increase in pension obligation payable   | 538                    |                     |                        | 538                           |
| Decrease in claims payable   |                        | (1,532)             |                        | (1,532)                       |
| Decrease in deferred revenue   | (276)                  |                     |                        | (276)                         |
| <b>Net cash provided (used) by operating activities</b>  | <b>(\$72,960)</b>      | <b>(\$7,577)</b>    | <b>(\$100)</b>         | <b>(\$80,637)</b>             |

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

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Lakota Local School District (the School District) is located in Wood, Seneca, and Sandusky Counties, and includes all of the Village of Risingsun and portions of Liberty and Orange Townships. The School District serves an area of approximately 146 square miles.

The School District was established in 1959 through the consolidation of existing land areas and school districts and 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 ranks as the 393<sup>rd</sup> largest by enrollment among the 612 districts in the State and the third largest in Sandusky County. It is staffed by 63 non-certificated employees and 98 certificated full-time teaching personnel, who provide services to 1,258 students and other community members. The School District currently operates 5 instructional buildings and 1 garage.

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

The financial statements of the 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.

**A. Reporting Entity**

The School District's 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 the School District, this includes general operations, food service, and student related activities.

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

The following activities are included within the reporting entity:

*Parochial Schools* - Within the School District boundaries, St. Mary's Elementary is operated through the Toledo Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial schools by the

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

Treasurer of the School District, as directed by the parochial school. The activity of these State monies are accounted for by the School District in a special revenue fund for financial reporting purposes.

The following organizations are described due to their relationship with the School District:

**Jointly Governed Organizations**

*Northern Ohio Educational Computer Association* - The School District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of public school districts within the boundaries of Erie, Huron, Ottawa, Sandusky, and Seneca Counties and Cities of Fremont, Huron, Sandusky, Norwalk, Bellevue, Port Clinton, Fostoria, and Tiffin. 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 superintendent of each school district is on the Board of Trustees. Financial information can be obtained from Betty Schwiefert, who serves as controller, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

*Vanguard-Sentinel Joint Vocational School* - The Vanguard-Sentinel Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio. The JVS is operated under the direction of a Board consisting of one representative from each of the JVS's participating school districts' elected boards, and possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Joint Vocational School, at 1306 Cedar Street, Fremont, Ohio 43420.

**Public Entity Risk Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an 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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. 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.

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

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 - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to 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 Types**

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

Enterprise Funds - The 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 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.

Internal Service Funds - The Internal Service Funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**3. Fiduciary Fund Types**

Trust and Agency Funds - These 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

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

governmental units, and/or other funds. The School District's fiduciary funds include an Expendable Trust Fund, a Nonexpendable Trust Fund, and an Agency Fund. The Expendable Trust Fund is accounted for in essentially the same manner as governmental funds. The Nonexpendable Trust Fund is 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 Agency Fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.A. for the Agency Fund accruals, that, in other fund types, would be subject to accrual.

**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 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 the proprietary or trust funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust Fund are accounted for using a 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 and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the 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 Nonexpendable Trust 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 funds and the Expendable Trust fund. 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.

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: 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 funds and the Nonexpendable Trust fund. 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.

**D. Budgets**

The School District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. 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 statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board; however, none of the amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with School District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 11 provides disclosure of the encumbrances outstanding for Enterprise funds at fiscal year end.

**E. Cash and Investments**

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

During 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit, and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio, which are reported at fair value. Fair value is based on quoted market prices.



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

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 December 31, 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 credited to the General Fund during fiscal 1999 totaled \$85,548, which included \$36,623 assigned from other funds of the School District. Interest credited to the Auxiliary Services Fund during fiscal 1999 totaled \$865, which included \$199 assigned from other funds of the School District.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

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

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The School District follows the policy of not capitalizing assets with a cost of less than \$100 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group. The School District has not included infrastructure in the General Fixed Assets Account Group.

**2. Proprietary Funds and Nonexpendable Trust Funds**

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are

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

recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

| Asset                             | Life (years) |
|-----------------------------------|--------------|
| Furniture, Fixtures and Equipment | 5 - 20       |

**I. Intergovernmental Revenues**

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

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital  
Auxiliary Services  
Local Professional Development  
Education Management Information Systems  
Disadvantaged Pupil Impact Aid  
Conflict Management  
Wildlife Diversity  
Summer Migrant  
Education for Economic Security Act  
Title I  
Title VI  
Title VI-B  
Instructional Materials Subsidy

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

Capital Projects Funds  
SchoolNet Plus  
Technology Equity  
Power - Up Technology

Grants and entitlements amounted to over 63 percent of the School District's operating revenue during the 1999 fiscal year.

**J. Interfund Transactions**

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the School District's interfund transactions for fiscal year 1999 is presented in Note 5.

**K. Compensated Absences**

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

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

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

future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with eight (8) or more years of service at the School District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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. Sick leave may be accumulated up to a maximum of 217 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for classified and certified employees.

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

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

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year end are considered not to have used current available financial resources. Bonds, capital leases, and long-term notes and 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.

**M. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, prepaids, textbooks, advances, debt service, principal endowment and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

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

**N. Statutory Reserves**

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

|  | <u>Textbooks</u> | <u>Capital<br/>Maintenance</u> | <u>Budget<br/>Stabilization</u> |
|--|------------------|--------------------------------|---------------------------------|
| Set-aside cash balance as of June 30, 1998 | \$ 0             | \$ 0                           | \$ 43,873                       |
| Current year set-aside requirement         | 72,744           | 113,991                        | 13,122                          |
| Qualifying disbursements                   | <u>(43,764)</u>  | <u>(113,991)</u>               | <u>0</u>                        |
| Total                                      | <u>\$ 28,980</u> | <u>\$ 0</u>                    | <u>\$ 56,995</u>                |

Although the School District had offsets 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.

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

|  |                  |
|--|------------------|
| Amount restricted for textbooks            | \$ 28,980        |
| Amount restricted for budget stabilization | <u>56,995</u>    |
| Total restricted assets                    | <u>\$ 85,975</u> |

**O. 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.

**P. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and textbook reserve. The budget stabilization reserve is required by state statute and can be used only after receiving approval from the State Superintendent of Public Instruction. The textbook reserve is required by statute and is to be used to purchase textbooks. See statutory reserves in Note 2N.

**Q. Estimates**

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Agency Funds**

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

| <u>Liabilities</u> |         |
|--------------------|---------|
| Accounts payable   | \$2,088 |

**B. Legal Compliance**

The following fund accounts had expenditures plus encumbrances in excess of appropriations, contrary to § 5705.41, Ohio Revised Code:

| <u>Fund Type/Fund/Function</u>       | <u>Excess</u> |
|--------------------------------------|---------------|
| <u>General</u>                       |               |
| Special Instruction                  | \$106,904     |
| Support Services:                    |               |
| Pupil                                | 43,999        |
| Instructional Staff                  | 4,094         |
| Administration                       | 355,629       |
| <u>Special Revenue Funds</u>         |               |
| Management Information System        |               |
| Support Services-Administration      | 1,987         |
| Education for Economic Security      |               |
| Special Instruction                  | 946           |
| Title VI-B                           |               |
| Support Services:                    |               |
| Instructional Staff                  | 10            |
| Administration                       | 290           |
| Title I                              |               |
| Support Services-Instructional Staff | 260           |
| Miscellaneous Federal Grants         |               |
| Regular Instruction                  | 6,529         |

Disclosure is presented at the function level within the fund rather than at the object level within the fund due to the practicality of determining these values.

The appropriations in the General Fund, Special Revenue Fund and the Capital Projects fund exceeded estimated resources by \$1,331,425, \$179,356 and \$2,631, contrary to Ohio law. In addition, the District did not pass permanent appropriations measures until June 14, 1999. Consequently, all expenditures for the period from October 1, 1998 through June 14, 1999, were not appropriated.

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

**NOTE 4 - EQUITY IN POOLED CASH 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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);

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Cash on Hand**

At year end, the School District had \$2,000 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", but is not included in the total amount of deposits reported below.

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

**Deposits**

At year-end the carrying amount of the School District's deposits was \$120,742 and the bank balance was \$228,949 (both amounts are exclusive of payroll clearance accounts, but include \$206,126 in non-negotiable certificates of deposit). Of the bank balance:

1. \$122,823 was covered by federal deposit insurance; and
2. \$106,126 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

**Investments**

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.



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

|                                | <u>Category of Risk<br/>3</u> | <u>Reported<br/>Amount</u> | <u>Fair<br/>Value</u> |
|--------------------------------|-------------------------------|----------------------------|-----------------------|
| Repurchase Agreement           | \$116                         | \$ 116                     | \$ 116                |
| Not Subject to Categorization: |                               |                            |                       |
| Investment in State            |                               |                            |                       |
| Treasurer's Investment Pool    | _____                         | <u>1,477,425</u>           | <u>1,477,425</u>      |
| <b>Total Investments</b>       | <u>\$116</u>                  | <u>\$1,477,541</u>         | <u>\$1,477,541</u>    |

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

|                                   | <u>Cash and Cash<br/>Equivalents/Deposits</u> | <u>Investments</u> |
|-----------------------------------|---|--------------------|
| GASB Statement No. 9              | \$ 1,600,283                                  |                    |
| Investments of the Cash           |   |                    |
| Management Pool:                  |   |                    |
| Repurchase Agreement              | (116)   | \$ 116             |
| State Treasurer's Investment Pool | (1,477,425)                                   | 1,477,425          |
| Cash on Hand                      | <u>(2,000)</u>                                | _____              |
| GASB Statement No. 3              | <u>\$ 120,742</u>                             | <u>\$1,477,541</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The School District had the following long-term advances outstanding at June 30, 1999:

|                                   | <u>Advances To<br/>Other Funds</u> | <u>Advances From<br/>Other Funds</u> |
|-----------------------------------|------------------------------------|--------------------------------------|
| General Fund                      | \$15,338                           |                                      |
| <u>Special Revenue Funds</u>      |                                    |                                      |
| District Managed Student Activity |                                    | \$10,000                             |
| Title VI-B                        | _____                              | <u>5,338</u>                         |
| <b>Totals</b>                     | <u>\$15,338</u>                    | <u>\$15,338</u>                      |

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

B. The following is a reconciliation of the School District's operating transfers for fiscal year 1999:

|                                 | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------|---------------------|----------------------|
| General Fund                    |                     | \$(8,818)            |
| <u>Special Revenue Funds</u>    |                     |                      |
| Venture Capital                 | \$ 591              |                      |
| Management Information Systems  | 2,500               |                      |
| Education for Economic Security | 285                 |                      |
| Title VI                        | 3,951               |                      |
| <u>Enterprise Funds</u>         |                     |                      |
| Uniform School Supplies         | <u>1,491</u>        | _____                |
| Totals                          | <u>\$8,818</u>      | <u>\$(8,818)</u>     |

**NOTE 6 - PROPERTY TAXES**

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

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

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 assessed value upon which the fiscal 1999 taxes were collected was \$87,980,439. Agricultural/Residential and public utility real estate represented \$64,853,190 or 73.7% of this total; Commercial & Industrial real estate represented \$6,310,010 or 7.2% of this total; public utility tangible represented \$9,403,210 or 10.7% of this total and general tangible property represented \$7,414,029 or 8.4% of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$38.50 per \$1,000.00 of assessed valuation for operations.

The School District receives property taxes from Sandusky, Wood, and Seneca Counties. 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 as of June 30, 1999 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$409,425 was available to the School District as an advance at June 30 and is recognized as revenue.

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

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999 consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund loans, and intergovernmental grants (to the extent they are intended to finance the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

|                                  | <u>Amounts</u> |
|----------------------------------|----------------|
| <u>General Fund</u>              |                |
| Taxes - current and delinquent   | \$3,039,154    |
| <br><u>Special Revenue Funds</u> |                |
| Due from other governments       | 21,075         |
| <u>Enterprise Funds</u>          |                |
| Due from other governments       | 15,224         |

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets Account Group**

A summary of the changes in General Fixed Assets Account Group during fiscal year 1999 follows:

|                                   | <u>Balance at</u><br><u>07/01/98</u> | <u>Additions</u>        | <u>Deletions</u>      | <u>Balance at</u><br><u>06/30/99</u> |
|-----------------------------------|--------------------------------------|-------------------------|-----------------------|--------------------------------------|
| Land and Improvements             | \$ 377,741                           |                         |                       | \$ 377,741                           |
| Buildings and Improvements        | 3,029,398                            |                         |                       | 3,029,398                            |
| Furniture, Fixtures and Equipment | 1,572,824                            | \$ 54,971               |                       | 1,627,795                            |
| Books                             | 665,423                              |                         |                       | 665,423                              |
| Vehicles                          | <u>1,157,997</u>                     | <u>68,194</u>           | <u>          </u>     | <u>1,226,191</u>                     |
| <b>Total General Fixed Assets</b> | <b><u>\$6,803,383</u></b>            | <b><u>\$123,165</u></b> | <b><u>\$    0</u></b> | <b><u>\$6,926,548</u></b>            |

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

**B. Proprietary Fixed Assets**

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

|                               |                  |
|-------------------------------|------------------|
| Furniture and Equipment       | \$ 149,414       |
| Less Accumulated Depreciation | <u>(113,399)</u> |
| Net Fixed Assets              | <u>\$ 36,015</u> |

**NOTE 9 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1998 were as follows:

|                                     | <u>Balance<br/>Outstanding<br/>06/30/98</u> | <u>Additions</u>  | <u>Deductions</u>  | <u>Balance<br/>Outstanding<br/>06/30/99</u> |
|-------------------------------------|---|-------------------|--------------------|---|
| Energy Conservation Notes           | \$ 61,964                                   |                   | \$ (29,944)        | \$ 32,020                                   |
| Pension Obligation Payable          | 64,483                                      | \$67,459          | (64,483)           | 67,459                                      |
| Compensated Absences                | <u>792,734</u>                              | <u>          </u> | <u>(29,608)</u>    | <u>763,126</u>                              |
| Total General Long-Term Obligations | <u>\$919,181</u>                            | <u>\$67,459</u>   | <u>\$(124,035)</u> | <u>\$862,605</u>                            |

*Energy Conservation Notes* - On December 9, 1989, the School District issued \$239,050 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2000. The notes bear an interest rate of 7.25% and will be retired from the Debt Service Fund.

Compensated absences and the pension obligation payable will be paid from the fund from which the employees' salaries are paid. Compensated absences are reported net of actual increases and decreases due to the practicality of determining these values.

The School District's voted legal debt margin was \$7,939,261 (including available funds of \$21,021) with an unvoted debt margin of \$87,980 at June 30, 1999.

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 1999, are as follows:

| <u>Fiscal year<br/>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>    |
|---------------------------------------|------------------|-----------------|-----------------|
| 2000                                  | <u>\$32,020</u>  | <u>\$2,321</u>  | <u>\$34,341</u> |
| Total                                 | <u>\$32,020</u>  | <u>\$2,321</u>  | <u>\$34,341</u> |

**NOTE 10 - RISK MANAGEMENT**

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 1999, the School District contracted with Nationwide Insurance for fleet insurance and liability insurance, and with Utica

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
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National Insurance Group for property, inland marine and crime coverage. Coverages provided by these companies are as follows:

|   |              |
|---|--------------|
| Building and Contents-replacement cost (\$500 deductible) | \$20,828,765 |
| Inland Marine Coverage (\$250 deductible)                 | 888,229      |
| Crime Insurance   | 10,000       |
| Automobile Liability (\$250 deductible)                   | 1,000,000    |
| Uninsured Motorists (\$250 deductible)                    | 1,000,000    |
| General Liability   |              |
| Per occurrence  | 2,000,000    |
| Total per year  | 5,000,000    |

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2). 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 GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insured program. All funds of the School District participate in the program and make payments to the dental self-insurance internal service fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The monthly premiums for dental are \$19.43 for single coverage and \$44.42 for family coverage. The dental self-insurance fund provides coverage of up to a maximum of \$1,500 per individual per year.

The School District utilizes a third party administrator, Ohio Benefits Group, to review all claims, which are then paid by the School District. There is no stop-loss coverage. Settled claims have not exceeded self-insured coverage since the inception of this program. The claims liability of \$9,861 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30 Risk Financing Omnibus, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The School District is required to report on the GAAP basis of accounting. Changes in claims activity during fiscal 1999 and 1998 are as follows:

|      | <u>Balance at<br/>Beginning of Year</u> | <u>Current Year<br/>Claims</u> | <u>Claim<br/>Payments</u> | <u>Balance at<br/>End of Year</u> |
|------|---|--------------------------------|---------------------------|-----------------------------------|
| 1999 | \$11,393                                | \$ 68,363                      | \$ 69,895                 | \$ 9,861                          |
| 1998 | \$ 4,518                                | \$ 76,239                      | \$ 69,364                 | \$ 11,393                         |

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

**NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three Enterprise funds to account for the operations of food service, uniform school supplies and Adult Education. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

|                                 | <u>Food<br/>Service</u> | <u>Uniform<br/>School<br/>Supplies</u> | <u>Adult<br/>Education</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|---------------------------------|-------------------------|--|----------------------------|---------------------------------------|
| Operating Revenues              | \$217,400               | \$55,117                               | \$ 5                       | \$272,522                             |
| Operating Expenses              |                         |  |                            |                                       |
| Less Depreciation               | 342,261                 | 52,060                                 |                            | 394,321                               |
| Depreciation Expense            | 5,864                   |  |                            | 5,864                                 |
| Operating Income (Loss)         | (130,725)               | 3,057                                  | 5                          | (127,663)                             |
| Donated Commodities             | 39,376                  |  |                            | 39,376                                |
| Operating Grants                | 116,989                 |  |                            | 116,989                               |
| Operating Transfers In          | 1,491                   |  |                            | 1,491                                 |
| Net Income                      | 32,447                  | 4,548                                  | 5                          | 37,000                                |
| Net Working Capital             | 126,163                 | 31,642                                 | 85                         | 157,890                               |
| Total Assets                    | 202,742                 | 36,572                                 | 85                         | 239,399                               |
| Long-Term Liabilities           |                         |  |                            |                                       |
| Payable From Fund Revenues      | 10,700                  |  |                            | 10,700                                |
| Total Equity                    | 151,478                 | 31,642                                 | 85                         | 183,205                               |
| Encumbrances Outstanding        |                         |  |                            |                                       |
| at June 30, 1999 (Budget Basis) | 4,600                   |  |                            | 4,600                                 |

**NOTE 12 - 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$182,731, \$144,564 and \$101,192, respectively; 52 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$87,798, 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.

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

**B. State 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 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 contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$734,961, \$514,654 and \$415,505, respectively; 88 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$90,340, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTE 13 - 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.

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 are required to pay a portion of 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, 1997, 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 \$419,978 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219.224 million.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The

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

surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$89,102 during the 1999 fiscal year.

**NOTE 14 - 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 Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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.

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

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

|  | <u>General</u>    | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
|--|-------------------|----------------------------|-------------------------|-----------------------------|
| Budget Basis   | \$ 20,592         | \$ 92,436                  | \$ (34,436)             | \$ 149,328                  |
| Net Adjustment for Revenue Accruals                  | 84,324            | (32,086)                   |                         | (1)                         |
| Net Adjustment for Expenditure<br>Accrual            | (119,118)         | 10,158                     |                         | (6,235)                     |
| Net Adjustment for Other Financing<br>Sources (Uses) | (37,688)          | 33,533                     |                         |                             |
| Encumbrances (Budget Basis)                          | 214,455           | 23,186                     |                         | 1,644                       |
| GAAP Basis   | <u>\$ 162,565</u> | <u>\$ 127,227</u>          | <u>\$ (34,436)</u>      | <u>\$ 144,736</u>           |



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

**NOTE 15 - 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**

The School District is involved in no material litigation either as a plaintiff or defendant.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received total support of \$4,474,643.

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 June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

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

| FEDERAL GRANTOR<br><i>Pass Through Grantor</i><br>Program Title | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts         | Non-Cash<br>Receipts | Disburse-<br>ments | Non-Cash<br>Disburse-<br>ments |
|---|----------------------------------|---------------------------|------------------|----------------------|--------------------|--------------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>                  |                                  |                           |                  |                      |                    |                                |
| <i>Passed Through Ohio Department of Education:</i>             |                                  |                           |                  |                      |                    |                                |
| Food Distribution   |                                  | 10.550                    |                  | \$25,292             |                    | \$25,292                       |
| National School Lunch Program                                   |                                  | 10.555                    | \$108,121        |                      | \$108,121          |                                |
| Total Department of Agriculture                                 |                                  |                           | 108,121          | 25,292               | 108,121            | 25,292                         |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>                    |                                  |                           |                  |                      |                    |                                |
| <i>Passed Through Ohio Department of Education:</i>             |                                  |                           |                  |                      |                    |                                |
| Special Education Grants to States                              |                                  |                           |                  |                      |                    |                                |
|   | 0495696BSF97                     | 84.027                    | 486              |                      | 486                |                                |
|   | 0495696BSF98                     |                           | 60,454           |                      | 52,892             |                                |
|   | 0495696BSF99                     |                           | 96,960           |                      | 35,586             |                                |
| Total Special Education   |                                  |                           | 157,900          |                      | 88,964             |                                |
| Eisenhower Professional Development State Grants                |                                  |                           |                  |                      |                    |                                |
| Drug-Free Schools Grant   | 049569MSS198                     | 84.281                    | 64               |                      | 4,869              |                                |
|   | 049569MSS199                     |                           | 5,769            |                      | 5,228              |                                |
| Total Eisenhower Grant  |                                  |                           | 5,833            |                      | 10,097             |                                |
| Title I Grants to Local Educational Agencies                    |                                  |                           |                  |                      |                    |                                |
|   | 049569C1S196                     | 84.010                    | 918              |                      | 918                |                                |
|   | 049569C1S197                     |                           | 305              |                      | 305                |                                |
|   | 049569C1S198                     |                           | 24,888           |                      | 15,045             |                                |
|   | 049569C1S199                     |                           | 63,398           |                      | 65,664             |                                |
| Total Title I   |                                  |                           | 89,509           |                      | 81,932             |                                |
| Migrant Education Basic State Formula Grant Program             |                                  |                           |                  |                      |                    |                                |
|   | 049569MGS197                     | 84.011                    | (1,119)          |                      | 6,631              |                                |
|   | 049569MGS198                     |                           | 34,665           |                      | 114,408            |                                |
|   | 049569MGS199                     |                           | 114,265          |                      | 13,601             |                                |
| Total Migrant Education Basic State Formula                     |                                  |                           | 147,811          |                      | 134,640            |                                |
| Innovation Education Programs Strategies                        |                                  |                           |                  |                      |                    |                                |
|   | 049569C2S198                     | 84.298                    |                  |                      | 4,431              |                                |
|   | 049569C2S199                     |                           | 5,691            |                      | 5,477              |                                |
| Total Innovation Education Programs Strategies                  |                                  |                           | 5,691            |                      | 9,908              |                                |
| Goals 2000 State and Local Education Systemic Impr              | 049569GSS397                     | 84.276                    | 35,000           |                      | 20,226             |                                |
| Telecommunications Act Grant                                    |                                  | 84.XXX                    | 15,079           |                      | 15,079             |                                |
| Total Department of Education                                   |                                  |                           | 456,823          |                      | 360,846            |                                |
| <b>UNITED STATES DEPARTMENT OF LABOR</b>                        |                                  |                           |                  |                      |                    |                                |
| <i>Passed Through Ohio Department of Education:</i>             |                                  |                           |                  |                      |                    |                                |
| Employment Services and Job Training Pilot                      | 049569WKBE00                     | 17.249                    | 10,000           |                      |                    |                                |
| Total Department of Labor                                       |                                  |                           | 10,000           |                      |                    |                                |
| <b>Totals</b>   |                                  |                           | <b>\$574,944</b> | <b>\$25,292</b>      | <b>\$468,967</b>   | <b>\$25,292</b>                |

*The accompanying notes are an integral part of this schedule.*

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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**

Lakota Local School District  
Sandusky County  
356 Union Street  
PO Box 5  
Risingsun, Ohio 43457-0005

To the Board of Education:

We have audited the financial statements of Lakota Local School District, Sandusky County, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 24, 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10172-001 and 1999-10172-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated February 24, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School 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 School District in a separate letter dated February 24, 2000.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 24, 2000



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

Lakota Local School District  
Sandusky County  
356 Union Street  
PO Box 5  
Risingsun, Ohio 43457-0005

To the Board of Education:

**Compliance**

We have audited the compliance of Lakota Local School District, Sandusky County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

### **Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 24, 2000.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 24, 2000



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

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>      | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Migrant Education Basic State Grant Program - CFDA #84.011 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type AIB Programs</b>  | Type A: > \$ 300,000<br>Type B: All Others                 |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes  |

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

**FINDING NUMBER 1999-10172-001**

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Ohio Revised Code § 5705.38 requires the annual appropriation measure to be adopted by October 1 of each fiscal year. The District did not pass any permanent appropriations until June 14, 1999. As a result, all expenditures made from October 1, 1998 (the date that the temporary appropriation measure lapsed) through June 14, 1999 were not appropriated. The revenues of the various funds were sufficient to obtain an amended certificate and adopt adequate appropriations. We recommend the Board approve permanent appropriations by October 1 of the fiscal year.

**FINDING NUMBER 1999-10172-002**

Ohio Revised Code § 5705.39 states that total appropriations may not exceed the total estimated resources. The appropriations in the General Fund, Special Revenue Fund and the Capital Projects fund exceeded estimated resources by \$1,331,425, \$179,356 and \$2,631, respectively, as of June 30, 1999. This could lead to overspending these funds. We recommend the Treasurer compare the appropriations with the estimated resources before the Board approves them to make sure that appropriations do not exceed estimated resources.

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

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Facsimile 614-466-4490

**LAKOTA LOCAL SCHOOL DISTRICT**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 21, 2000**