



**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Wapakoneta City School District
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Board of Education:

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

We conducted our audit in accordance with the 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 Wapakoneta City School District, Auglaize County, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types 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 11, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

JIM PETRO
Auditor of State

February 11, 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 Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,761,573	\$362,398	\$810,985	\$933,218
Receivables:				
Property Taxes	4,264,294	0	1,101,198	166,429
Income Tax	487,972	0	0	240,345
Accounts	23,643	258	0	0
Intergovernmental	8,587	18,892	0	0
Accrued Interest	4,944	0	0	2,435
Interfund Receivable	100,000	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	0	0	0	0
Prepaid Items	91,052	1,937	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	248,952	0	0	4,482
Cash and Cash Equivalents in Segregated Account	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	<u>\$7,991,017</u>	<u>\$383,485</u>	<u>\$1,912,183</u>	<u>\$1,346,909</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$146,234	\$36,447	\$0	\$3,948
Contracts Payable	234,650	0	0	81,793
Accrued Wages and Benefits	1,303,487	44,205	0	0
Compensated Absences Payable	14,831	0	0	0
Intergovernmental Payable	278,869	7,698	0	0
Interfund Payable	0	0	0	50,000
Deferred Revenue	4,041,602	0	1,042,488	157,705
Undistributed Assets	0	0	0	0
Due to Students	0	0	0	0
Liabilities Payable From Restricted Assets:				
Retainage Payable	0	0	0	4,482
Asbestos Removal Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>6,019,673</u>	<u>88,350</u>	<u>1,042,488</u>	<u>297,928</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	631,765	199,158	0	331,797
Reserved for Property Taxes	223,622	0	58,710	8,724
Reserved for Budget Stabilization	186,622	0	0	0
Reserved for Bus Purchases	62,330	0	0	0
Unreserved:				
Designated for Budget Stabilization	658,308	0	0	0
Undesignated	208,697	95,977	810,985	708,460
Total Fund Equity and Other Credits	<u>1,971,344</u>	<u>295,135</u>	<u>869,695</u>	<u>1,048,981</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$7,991,017</u>	<u>\$383,485</u>	<u>\$1,912,183</u>	<u>\$1,346,909</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$171,614	\$1,733	\$76,919	\$0	\$0	\$5,118,440
0	0	0	0	0	5,531,921
0	0	0	0	0	728,317
0	0	2,036	0	0	25,937
0	0	0	0	0	27,479
0	0	0	0	0	7,379
0	0	0	0	0	100,000
41,279	0	0	0	0	41,279
3,599	0	0	0	0	3,599
7,158	0	0	0	0	100,147
0	0	0	0	0	253,434
0	0	711,362	0	0	711,362
252,129	0	0	28,648,822	0	28,900,951
0	0	0	0	869,695	869,695
0	0	0	0	6,430,780	6,430,780
<u>\$475,779</u>	<u>\$1,733</u>	<u>\$790,317</u>	<u>\$28,648,822</u>	<u>\$7,300,475</u>	<u>\$48,850,720</u>
\$0	\$0	\$63	\$0	\$0	\$186,692
0	0	0	0	0	316,443
61,270	0	0	0	0	1,408,962
9,375	0	0	0	801,523	825,729
81,843	0	0	0	107,322	475,732
50,000	0	0	0	0	100,000
34,769	0	0	0	0	5,276,564
0	0	1,474	0	0	1,474
0	0	77,418	0	0	77,418
0	0	0	0	0	4,482
0	0	0	0	141,630	141,630
0	0	0	0	6,250,000	6,250,000
<u>237,257</u>	<u>0</u>	<u>78,955</u>	<u>0</u>	<u>7,300,475</u>	<u>15,065,126</u>
0	0	0	28,648,822	0	28,648,822
67,134	0	0	0	0	67,134
171,388	1,733	0	0	0	173,121
0	0	0	0	0	1,162,720
0	0	0	0	0	291,056
0	0	0	0	0	186,622
0	0	0	0	0	62,330
0	0	0	0	0	658,308
0	0	711,362	0	0	2,535,481
<u>238,522</u>	<u>1,733</u>	<u>711,362</u>	<u>28,648,822</u>	<u>0</u>	<u>33,785,594</u>
<u>\$475,779</u>	<u>\$1,733</u>	<u>\$790,317</u>	<u>\$28,648,822</u>	<u>\$7,300,475</u>	<u>\$48,850,720</u>

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

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
Revenues:						
Property Taxes	\$4,379,381	\$0	\$1,140,451	\$171,600	\$0	\$5,691,432
Income Taxes	1,410,641	0	0	694,794	0	2,105,435
Intergovernmental	10,251,845	737,808	132,447	129,582	0	11,251,682
Interest	329,859	3,155	0	7,753	34,555	375,322
Tuition and Fees	164,661	0	0	0	0	164,661
Extracurricular Activities	21,980	143,587	0	0	0	165,567
Gifts and Donations	40,118	16,973	0	0	2,000	59,091
Customer Services	49	0	0	0	0	49
Rent	45,781	0	0	0	0	45,781
Miscellaneous	22,269	61	0	0	0	22,330
Total Revenues	16,666,584	901,584	1,272,898	1,003,729	36,555	19,881,350
Expenditures:						
Current:						
Instruction:						
Regular	8,110,504	142,234	0	0	0	8,252,738
Special	752,567	324,811	0	0	0	1,077,378
Vocational	187,544	0	0	0	0	187,544
Adult/Continuing	0	2,291	0	0	0	2,291
Other	78,627	0	0	0	0	78,627
Support Services:						
Pupils	800,802	33,089	0	0	0	833,891
Instructional Staff	683,509	79,014	0	0	0	762,523
Board of Education	30,626	0	0	0	0	30,626
Administration	1,357,432	58,790	0	0	0	1,416,222
Fiscal	326,462	0	19,939	0	0	346,401
Operation and Maintenance of Plant	2,457,259	0	0	0	0	2,457,259
Pupil Transportation	914,050	0	0	0	0	914,050
Central	632,052	9,841	0	0	0	641,893
Operation of Non-Instructional Services	0	39,826	0	0	2,000	41,826
Extracurricular Activities	215,459	135,340	0	0	0	350,799
Capital Outlay	0	0	0	1,576,917	0	1,576,917
Debt Service:						
Principal Retirement	0	0	643,460	0	0	643,460
Interest and Fiscal Charges	0	0	541,406	0	0	541,406
Total Expenditures	16,546,893	825,236	1,204,805	1,576,917	2,000	20,155,851
Excess of Revenues Over (Under) Expenditures	119,691	76,348	68,093	(573,188)	34,555	(274,501)
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	3,926	0	0	0	0	3,926
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	123,617	76,348	68,093	(573,188)	34,555	(270,575)
Fund Balances at Beginning of Year	1,847,727	218,787	801,602	1,622,169	676,807	5,167,092
Fund Balances at End of Year	\$1,971,344	\$295,135	\$869,695	\$1,048,981	\$711,362	\$4,896,517

See accompanying notes to the general purpose financial statements

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

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$4,202,153	\$4,338,383	\$136,230	\$0	\$0	\$0
Income Taxes	1,250,031	1,386,260	136,229	0	0	0
Intergovernmental	10,107,028	10,243,258	136,230	842,543	748,326	(94,217)
Interest	328,366	328,366	0	3,681	3,681	0
Tuition and Fees	151,730	151,729	(1)	0	0	0
Extracurricular Activities	21,990	21,990	0	142,097	145,385	3,288
Gifts and Donations	40,118	40,118	0	16,973	16,973	0
Customer Services	49	49	0	0	0	0
Rent	45,781	45,781	0	0	0	0
Miscellaneous	4,980	4,980	0	0	0	0
Total Revenues	16,152,226	16,560,914	408,688	1,005,294	914,365	(90,929)
Expenditures:						
Current:						
Instruction:						
Regular	8,275,429	8,262,800	12,629	276,070	262,246	13,824
Special	883,449	850,397	33,052	407,443	339,225	68,218
Vocational	202,647	200,458	2,189	0	0	0
Adult/Continuing	0	0	0	2,610	2,610	0
Other	84,600	81,780	2,820	0	0	0
Support Services:						
Pupils	813,068	795,738	17,330	66,570	50,403	16,167
Instructional Staff	901,095	846,612	54,483	108,112	79,691	28,421
Board of Education	30,619	30,619	0	0	0	0
Administration	1,388,609	1,368,848	19,761	95,487	63,858	31,629
Fiscal	336,885	325,321	11,564	0	0	0
Operation and Maintenance of Plant	2,837,332	2,819,722	17,610	141	0	141
Pupil Transportation	1,027,571	1,011,407	16,164	0	0	0
Central	635,784	632,052	3,732	9,774	9,774	0
Operation of Non-Instructional						
Services	0	0	0	177,173	128,449	48,724
Extracurricular Activities	215,134	215,134	0	146,068	133,116	12,952
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	17,632,222	17,440,888	191,334	1,289,448	1,069,372	220,076
Excess of Revenues Over (Under) Expenditures	<u>(1,479,996)</u>	<u>(879,974)</u>	<u>600,022</u>	<u>(284,154)</u>	<u>(155,007)</u>	<u>129,147</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	3,926	3,926	0	0	0	0
Refund of Prior Year Expenditures	8,812	8,812	0	0	0	0
Refund of Prior Year Receipts	(557)	(557)	0	0	0	0
Advances In	0	105,625	105,625	0	0	0
Advances Out	(50,000)	(50,000)	0	0	0	0
Total Other Financing Sources (Uses)	(37,819)	67,806	105,625	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,517,815)</u>	<u>(812,168)</u>	<u>705,647</u>	<u>(284,154)</u>	<u>(155,007)</u>	<u>129,147</u>
Fund Balances at Beginning of Year	1,823,751	1,823,751	0	224,163	224,163	0
Prior Year Encumbrances Appropriated	1,000,071	1,000,071	0	59,991	59,991	0
Fund Balances (Deficit) at End of Year	\$1,306,007	\$2,011,654	\$705,647	\$0	\$129,147	\$129,147

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,131,924	\$1,131,924	\$0	\$171,165	\$170,011	(\$1,154)	\$0	\$0	\$0
0	0	0	672,701	682,785	10,084	0	0	0
123,433	132,447	9,014	130,878	235,207	104,329	0	0	0
0	0	0	7,346	7,346	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,000	2,000	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
1,255,357	1,264,371	9,014	982,090	1,095,349	113,259	2,000	2,000	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
19,939	19,939	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,000	2,000	0
0	0	0	0	0	0	0	0	0
0	0	0	2,386,554	1,976,255	410,299	0	0	0
643,460	643,460	0	0	0	0	0	0	0
541,406	541,406	0	0	0	0	0	0	0
1,204,805	1,204,805	0	2,386,554	1,976,255	410,299	2,000	2,000	0
50,552	59,566	9,014	(1,404,464)	(880,906)	523,558	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	(105,625)	(105,625)	0	0	0	0
0	0	0	(105,625)	(105,625)	0	0	0	0
50,552	59,566	9,014	(1,510,089)	(986,531)	523,558	0	0	0
751,419	751,419	0	841,607	841,607	0	0	0	0
0	0	0	668,983	668,983	0	0	0	0
\$801,971	\$810,985	\$9,014	\$501	\$524,059	\$523,558	\$0	\$0	\$0

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

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues:			
Tuition	\$1,876	\$0	\$1,876
Sales	743,898	0	743,898
Other Operating Revenues	25	200	225
Total Operating Revenues	<u>745,799</u>	<u>200</u>	<u>745,999</u>
Operating Expenses:			
Salaries	375,832	0	375,832
Fringe Benefits	179,674	0	179,674
Purchased Services	26,303	0	26,303
Materials and Supplies	31,062	1,127	32,189
Cost of Sales	421,626	0	421,626
Depreciation	23,132	0	23,132
Other	717	0	717
Total Operating Expenses	<u>1,058,346</u>	<u>1,127</u>	<u>1,059,473</u>
Operating Loss	<u>(312,547)</u>	<u>(927)</u>	<u>(313,474)</u>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	100,668	0	100,668
Interest	1,156	0	1,156
Operating Grants	221,629	0	221,629
Loss on Disposal of Fixed Asset	(2,444)	0	(2,444)
Total Non-Operating Revenues (Expenses)	<u>321,009</u>	<u>0</u>	<u>321,009</u>
Net Income (Loss)	8,462	(927)	7,535
Retained Earnings at Beginning of Year	<u>162,926</u>	<u>2,660</u>	<u>165,586</u>
Retained Earnings at End of Year	<u>171,388</u>	<u>1,733</u>	<u>173,121</u>
Contributed Capital at Beginning of Year	18,592	0	18,592
Contributions from Other Funds	<u>48,542</u>	<u>0</u>	<u>48,542</u>
Contributed Capital at End of Year	<u>67,134</u>	<u>0</u>	<u>67,134</u>
Total Fund Equity at End of Year	<u>\$238,522</u>	<u>\$1,733</u>	<u>\$240,255</u>

See accompanying notes to the general purpose financial statements

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

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$743,898	\$0	\$743,898
Cash Received from Tuition Payments	1,876	0	1,876
Cash Received from Other Operating Sources	25	200	225
Cash Payments to Suppliers for Goods and Services	(375,300)	(1,127)	(376,427)
Cash Payments to Employees for Services	(376,795)	0	(376,795)
Cash Payments for Employee Benefits	(183,657)	0	(183,657)
Cash Payments for Other Expenses	(717)	0	(717)
Net Cash Used for Operating Activities	(190,670)	(927)	(191,597)
Cash Flows from Noncapital Financing Activities:			
Short Term Loans from Other Funds	50,000	0	50,000
Operating Grants Received	221,629	0	221,629
Net Cash Provided by Noncapital Financing Activities	271,629	0	271,629
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(4,088)	0	(4,088)
Cash Flows from Investing Activities:			
Cash Received from Interest	1,156	0	1,156
Net Increase (Decrease) in Cash and Cash Equivalents	78,027	(927)	77,100
Cash and Cash Equivalents at Beginning of Year	93,587	2,660	96,247
Cash and Cash Equivalents at End of Year	\$171,614	\$1,733	\$173,347
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(\$312,547)	(\$927)	(\$313,474)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	23,132	0	23,132
Donated Commodities Used During Year	100,668	0	100,668
Changes in Assets and Liabilities:			
Decrease in Inventory Held for Resale	3,315	0	3,315
Decrease in Materials and and Supplies Inventory	1,153	0	1,153
Increase in Prepaid Items	(501)	0	(501)
Increase in Accounts Payable	(1,445)	0	(1,445)
Increase in Accrued Wages and Benefits	(1,196)	0	(1,196)
Decrease in Compensated Absences Payable	949	0	949
Increase in Intergovernmental Payable	(4,198)	0	(4,198)
Total Adjustments	121,877	0	121,877
Net Cash Used for Operating Activities	(190,670)	(927)	(191,597)

Non-Cash Investing, Capital and Financing Activities:

During fiscal year 1999, the general fixed assets account group contributed furniture and equipment with a fair value of \$48,542 to the enterprise funds.

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types					
	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Tuition	\$1,876	\$1,876	\$0	\$0	\$0	\$0
Sales	729,577	743,898	14,321	0	0	0
Operating Grants	207,309	221,629	14,320	0	0	0
Interest	1,156	1,156	0	0	0	0
Refund of Prior Year Expense	25	25	0	0	200	200
Total Revenues	939,943	968,584	28,641	0	200	200
Expenses:						
Salaries	376,853	376,795	58	0	0	0
Fringe Benefits	183,879	183,657	222	0	0	0
Purchased Services	27,478	26,459	1,019	0	0	0
Materials and Supplies	349,181	349,031	150	2,660	1,127	1,533
Capital Outlay	4,088	4,088	0	0	0	0
Other	725	717	8	0	0	0
Total Expenses	942,204	940,747	1,457	2,660	1,127	1,533
Excess of Revenues Over (Under) Expenses	(2,261)	27,837	30,098	(2,660)	(927)	1,733
Advances In	0	50,000	50,000			0
Excess of Revenues Over (Under) Expenses and Advances	(2,261)	77,837	80,098	(2,660)	(927)	1,733
Fund Equity at Beginning of Year	92,325	92,325	0	2,660	2,660	0
Prior Year Encumbrances Appropriated	1,262	1,262	0	0	0	0
Fund Equity at End of Year	\$91,326	\$171,424	\$80,098	\$0	\$1,733	\$1,733

See accompanying notes to the general purpose financial statements

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 155 square miles. It is located in Auglaize County, and includes all of the City of Wapakoneta and portions of surrounding townships. It is staffed by 126 non-certificated employees, 187 certificated full-time teaching personnel and 12 administrative employees who provide services to 3,455 students and other community members. The School District currently operates 6 instructional buildings and 1 administrative/garage building.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, the St. Joseph Elementary School is operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to this parochial school. This money is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of this State money is reflected by the School District in a special revenue fund for financial reporting purposes.

The School District is associated with five jointly governed organizations and a group purchasing pool. These organizations are the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, West Central Ohio Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Cooperative, and the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

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

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. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

Governmental Fund Types:

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Proprietary Fund Types:

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

Enterprise Funds - Enterprise funds are used to account for 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 Fund - The internal service fund accounts 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.

Fiduciary Fund Types:

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

Account Groups:

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

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

B. Measurement Focus and Basis of Accounting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary 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, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

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

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

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

C. Budgetary Process

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

The School District did not budget for the employee health benefit expendable trust fund because no cash activity was anticipated in fiscal year 1999.

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

Tax Budget:

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

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

Estimated Resources:

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

Appropriations:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, 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" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAROhio and non-negotiable certificates of deposit. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$329,859, which includes \$72,601 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of 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.

E. Inventory

Inventories of the enterprise funds are stated at the lower of cost or market. 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

The School District has classified as restricted assets in the employee health benefit expendable trust fund the amount of moneys that is restricted for employee health care benefits. This fund in past years was used to fund a self-insurance health care program. The program was canceled and due to the trust agreements, the balances must be held for the benefit of the employees.

Restricted assets in the capital projects funds represent cash and cash equivalents held by the School District as retainage on ongoing contracts.

H. Fixed Assets and Depreciation

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

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

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

I. 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

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 Program

Special Revenue Funds

Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Post Secondary Vocational Education
Local Professional Development
Vocational Education Equipment
Financial Literacy
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Family and School Partnership
Eisenhower
Title I
Title VI-B
Title VI
Raising the Bar
Learn and Serve

Capital Projects Funds

School Net
Technology Equity
Power Up

Reimbursable Grants

General Fund

Driver Education

Capital Projects Fund

Emergency Building Repair

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately fifty-seven percent of the School District's operating revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, 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 sixty days after fiscal year end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

M. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves and Designations (Continued)

The School District designates a portion of fund equity to indicate tentative planned expenditures of financial resources. A fund balance designation has been established for the revenues set-aside for budget stabilization that exceeded the statutorily required amount.

O. Use of Estimates

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

P. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

At June 30, 1999, the Professional Teacher Development, Education Management Information System, and Title I special revenue funds and the Emergency Building Repair capital projects fund had deficit fund balances of \$20, \$67, \$33,306, and \$50,000, respectively. The deficits in the special revenue funds resulted from the application of generally accepted accounting principles. The deficit in the Emergency Building Repair capital projects fund was caused by the requirement to report the unpaid advances as a fund liability. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

4. The School District does not budget for the activities of their health insurance trustee account (budget basis). However, these resources are included in the expendable trust funds for GAAP reporting.

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$123,617	\$76,348	\$68,093	(\$573,188)	\$34,555
Revenue Accruals	(89,670)	12,848	(8,527)	91,672	0
Expenditure Accruals	99,764	(10,765)	0	14,251	0
Cash on Hand at Year End	(1,054)	(68)	0	(52)	0
Prepaid Items	(2,633)	(187)	0	0	0
To Record Excess of Revenues Over Expenditures for					
Nonbudgeted Funds	0	0	0	0	(34,555)
Advances In	105,625	0	0	0	0
Advances Out	(50,000)	0	0	(105,625)	0
Encumbrances Outstanding At Year End (Budget Basis)	(997,817)	(233,183)	0	(413,589)	0
Budget Basis	<u>(\$812,168)</u>	<u>(\$155,007)</u>	<u>\$59,566</u>	<u>(\$986,531)</u>	<u>\$0</u>

**Net Income/Excess of Revenues Over Expenses
Proprietary Fund Type**

	Enterprise	Internal Service
GAAP Basis	\$8,462	(\$927)
Expense Accrual	(5,891)	0
Materials and Supplies Inventory	1,153	0
Inventory Held for Resale	3,315	0
Prepaid Items	(501)	0
Advances	50,000	0
Acquisition of Fixed Assets	(4,088)	0
Depreciation Expense	23,132	0
Loss on Disposal of Fixed Assets	2,445	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(190)	0
Budget Basis	<u>\$77,837</u>	<u>(\$927)</u>

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

5. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book 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 moneys 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 marking association. All federal agency services 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 or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and

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

5. DEPOSITS AND INVESTMENTS (Continued)

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the School District had \$756 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$4,628,766 and the bank balance was \$5,083,749. Of the bank balance \$285,452 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments 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 no in the School District's name. The only investment held by the School District as of June 30, 1999, was STAROhio which had a fair value of \$1,453,714. STAROhio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$6,083,236	\$0
Cash on Hand	(756)	0
Investments:		
STAROhio	(1,453,714)	1,453,714
GASB Statement 3	\$4,628,766	\$1,453,714

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

6. PROPERTY TAXES

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

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

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

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$223,622 in the General Fund, \$58,710 in the Bond Retirement Debt Service Fund, and \$8,724 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 1998, was \$182,624 in the General Fund, \$50,183 in the Bond Retirement Debt Service Fund, and \$7,135 in the Permanent Improvement Capital Projects Fund.

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

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$180,649,300	81.38%	\$188,207,610	81.16%
Public Utility	14,692,370	6.62%	14,586,630	6.29%
Tangible Personal Property	<u>26,643,360</u>	<u>12.00%</u>	<u>29,092,312</u>	<u>12.55%</u>
Total Assessed Value	<u>\$221,985,030</u>	<u>100.00%</u>	<u>\$231,886,552</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.50		\$33.50	

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

7. INCOME TAX

The School District levies a voted tax of 0.50 percent for general operations and a 0.25 percent for permanent improvements on the income of residents and of estates. The 0.50 percent tax was effective on January 1, 1991, and the 0.25 percent tax was effective January 1, 1996. The entire voted tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and the Permanent Improvement capital projects fund.

8. RECEIVABLES

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, the School District's policy on collecting student fees, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Medical Reimbursement	\$6,587
Drivers' Education Reimbursement	2,000
Total General Fund	8,587
Special Revenue Funds	
Title VI B	18,892
Total Intergovernmental Receivables	\$27,479

9. FIXED ASSETS

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

Buildings	\$3,845
Furniture and Equipment	490,591
Total	494,436
Less Accumulated Depreciation	(242,307)
Net Fixed Assets	\$252,129

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$782,720	\$327,039	\$10,260	\$1,099,499
Buildings and Improvements	19,694,153	1,912,067	0	21,606,220
Furniture, Fixtures and Equipment	3,286,269	525,141	67,512	3,743,898
Vehicles	1,799,267	236,721	0	2,035,988
Construction in Progress	167,843	163,217	167,843	163,217
Totals	\$25,730,252	\$3,164,185	\$245,615	\$28,648,822

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

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 Indiana Insurance for property and fleet insurance and Nationwide Insurance for liability insurance and inland marine coverage. Coverages provided by these companies are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$45,866,099
Earthquake	10,000,000
EDP Coverage	
Equipment	531,671
Media	3,167
Inland Marine Coverage (\$100 deductible)	128,895
Automobile Liability	1,000,000
Medical Payments Per Person	5,000
General Liability	
Per occurrence	1,000,000
Aggregate	2,500,000
Commercial Crime	17,500
Crime	5,000
Inside Premises	25,000
Outside Premises	25,000
Commercial Umbrella Liability	
Per Occurrence	\$5,000,000
Aggregate Limits	
General Aggregate	5,000,000
Products/Completed Operations	5,000,000
Self Insured Retention on any one Occurrence	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reductions in coverages from the prior year.

For fiscal year 1999, the School District participated in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 20). The Program is intended to reduce premiums for the participants. 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 Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Program.

A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The school districts apply for participation each year. The firm of Acordia of Northeast Ohio provides administrative, cost control, and actuarial services to the Program. Each year, the School District pays an enrollment fee to the Program to cover the costs of administering the program.

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

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$163,705, \$198,264 and \$198,805, respectively; 39.0 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$99,785 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$470,702, \$820,115, and \$901,488, respectively; 82.7 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$81,398 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. Three of the board members have elected Social Security. The School District's liability is 6.2 percent of wages paid.

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

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$627,602 during the 1999 fiscal year.

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

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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$185,845 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expense for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. The superintendent, business manager and treasurer earn twenty days of vacation per contract period. Accumulated, unused vacation time is paid to the superintendent, business manager, treasurer, and classified employees upon termination of employment. Teachers do not earn vacation time.

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

13. EMPLOYEE BENEFITS (Continued)

A. Compensated Absences (Continued)

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 250 days for teachers and administrators, and 230 days for classified personnel. Upon retirement, payment is made for one-fifth of accrued, but unused sick leave credit to a maximum of 50 days for teachers and administrators. Classified personnel, upon retirement, are paid one-fourth of their accrued, but unused sick leave credit to a maximum of 30 days, and one-fifth of the remaining unused sick leave credit to a maximum of 16 days.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to all employees through Anthem Blue Cross/Blue Shield. Life insurance is provided through Community National.

14. LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
<u>General Long-Term Obligations:</u>				
1987, 8.25% High School Bonds	\$6,875,000	\$0	\$625,000	\$6,250,000
1988, 0% Asbestos Removal Loan	57,291	0	7,639	49,652
1990, 0% Asbestos Removal Loan	102,799	0	10,821	91,978
Pension Obligation	107,883	107,322	107,883	107,322
Compensated Absences	711,634	89,889	0	801,523
Total General Long-Term Obligations	<u>\$7,854,607</u>	<u>\$197,211</u>	<u>\$751,343</u>	<u>\$7,300,475</u>

High School Addition General Obligation Bonds - On December 1, 1987, Wapakoneta City School District issued \$12,500,000 in voted general obligation bonds for the purpose of constructing a high school. The bonds were issued for a twenty year period with final maturity at December 1, 2008. The bonds will be retired from the debt service fund.

Asbestos Removal Loans - In 1988, Wapakoneta City Schools began an asbestos removal program throughout all the buildings. Three asbestos removal loans totaling \$372,372 were received from the Federal government. The loans were issued for varying maturities from ten to nineteen years with a final maturity on December 30, 2007, and the debt will be retired from the debt service fund.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

The School District's overall legal debt margin was \$15,289,145 with an unvoted debt margin of \$231,887 at June 30, 1999.

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

14. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$643,460	\$489,844	\$1,133,304
2001	643,460	438,281	1,081,741
2002	643,460	386,718	1,030,178
2003	643,460	335,157	978,617
2004	643,460	283,594	927,054
2005-2009	3,174,330	644,531	3,818,861
Total	<u>\$6,391,630</u>	<u>\$2,578,125</u>	<u>\$8,969,755</u>

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$58,061	\$58,061
Current Year Set-aside Requirement	255,384	255,384	128,561	639,329
Current Year Offsets	(53,287)	(821,135)	0	(874,422)
Qualifying Disbursements	(605,885)	(829,845)	0	(1,435,730)
Total	<u>(\$403,788)</u>	<u>(\$1,395,596)</u>	<u>\$186,622</u>	<u>(\$1,612,762)</u>
Cash Carried Forward to Fiscal Year 2000	<u>\$0</u>	<u>\$0</u>	<u>\$186,622</u>	\$186,622
Amount Restricted for Bus Purchases				<u>62,330</u>
Total Restricted Assets				<u>\$248,952</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to 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.

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

16. INTERFUND ACTIVITY

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

<u>Fund Type/Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$100,000	\$0
Capital Projects Fund:		
Emergency Building Repair	0	50,000
Enterprise Fund:		
Lunchroom	0	50,000
Total All Funds	<u>\$100,000</u>	<u>\$100,000</u>

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Wapakoneta City School District as of and for the fiscal year ended June 30, 1999.

	<u>Food</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$743,923	\$1,876	\$745,799
Depreciation Expense	23,132	0	23,132
Operating Loss	(311,150)	(1,397)	(312,547)
Donated Commodities	100,668	0	100,668
Operating Grants	221,629	0	221,629
Net Loss	9,859	(1,397)	8,462
Fixed Assets:			
Additions	52,630	0	52,630
Deletions	7,520	0	7,520
Contributed Capital Additions	48,542	0	48,542
Net Working Capital	(4,424)	(18)	(4,442)
Total Assets	475,569	210	475,779
Total Equity	238,330	192	238,522
Encumbrances Outstanding			
At June 30, 1999	190	0	190

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

18. CONTRACTUAL OBLIGATIONS

As of June 30, 1999, the School District had the following contractual obligations:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
American Academic Supplies	Library Shelving	\$11,290
Buehler Asphalt Paving	Paving Projects	111,960
Cardinal Bus Sales	3 Buses	169,494
Central Business Group	Office Furniture	16,094
Communication Systems.	Media Class Equipment	34,705
D. L. Stiner	Power up Engineering	3,630
Dick Nagel Electric	Lighting and Fire Alarms	52,635
Educational Systems Corporation	Advances Learning System	78,600
Inacom	Thinkpads	95,555
LDA Products	Server	41,552
Lepi Enterprises	Floor Tile and Ceiling	48,096
Leslie Coatings, Inc.	Tennis Court Repairs	11,675
Lippincott Plumbing and Heating	Office Air Conditioning	10,402
Mid-West Micro	Workstations and Monitors	107,100
Sheets and Associates	Architectural Services	10,000
Steinke Concrete Construction	Sidewalks	6,879
Telephone Service Company	Fiber Optics - Telephones	<u>73,714</u>
Total Contractual Commitments		<u>\$883,381</u>

19. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Paulding and Van Wert Counties and Cities of Wapakoneta and St. Marys. 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 legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors. The board of directors exercises total control over the operation of the NOACSC including budgeting, appropriating, contracting, and designating management. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804-1241.

Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806-1454.

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

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Central Ohio Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a governing board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer at the Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

SERRC is governed by a governing board of 52 members made up of representatives from 50 superintendents of the participating districts, one non-public school, and one from Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - The SOEPC was established in 1986 to foster cooperation among educational entities located in southwestern Ohio. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of 10 representatives of the educational entities and the Montgomery County Educational Service Center superintendent. The Board, except for the Superintendent of the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

20. GROUP PURCHASING POOL

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

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

21. SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$9,654,531 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the thorough and efficient clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the 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.

22. 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.

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Food Distribution Program		10.550	\$0	\$118,865	\$0	\$100,521
National School Breakfast Program	05-PU	10.553	15,156	0	15,156	0
National School Lunch Program	04-PU	10.555	195,942	0	195,942	0
Total U.S. Department of Agriculture - Nutrition Cluster			211,098	118,865	211,098	100,521
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I, Part A, IASA	C1-S1	84.010	31,780	0	57,033	0
Title I, Part A, IASA	C1-S1	84.010	215,568	0	210,538	0
Total Title I, Part A, IASA			247,348	0	267,571	0
Title VI-B, Special Education Grants to States	6B-SF	84.027	26,795	0	64,329	0
Title VI-B, Special Education Grants to States	6B-SF	84.027	136,648	0	94,590	0
Total Title VI-B			163,443	0	158,919	0
Title VI, Innovative Education Program Strategies	C2-S1	84.298	13,872	0	4,860	0
Title VI, Innovative Education Program Strategies	C2-S1	84.298	0	0	13,546	0
Total Title VI			13,872	0	18,406	0
Dwight D. Eisenhower Mathematics and Science Grants	MS-S1	84.281	13,069	0	8,415	0
Dwight D. Eisenhower Mathematics and Science Grants	MS-S1	84.281	0	0	12,769	0
Dwight D. Eisenhower Mathematics and Science Grants	MS-S1	84.281	0	0	7,669	0
Total Eisenhower Professional Development State Grants			13,069	0	28,853	0
Goals 2000 - Family and School Partnership	G2-S4	84.276	3,000	0	2,016	0
Technology Literacy Challenge - Raising the Bar	TF - 31	84.318	150,000	0	1,209	0
Total U.S. Department of Education			590,732	0	476,974	0
U.S. DEPARTMENT OF LABOR						
(Passed through Ohio Department of Education)						
Learn and Serve	SV-S3	94.004	0	0	575	0
Learn and Serve	SV-S3	94.004	15,000	0	1,618	0
Total Learn and Serve Grant			15,000	0	2,193	0
Total U.S. Department of Labor			15,000	0	2,193	0
Total Federal Assistance			\$816,830	\$118,865	\$690,265	\$100,521

See accompany notes to the Schedule of Federal Awards Expenditures

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

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- NUTRITION CLUSTER

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 \$34,917 in donated food commodity inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Wapakoneta City School
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Board of Education:

We have audited the financial statements of the Wapakoneta City School District, Auglaize County, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated February 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated February 11, 2000.

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

JIM PETRO
Auditor of State

February 11, 2000



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

Wapakoneta City School District
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Board of Education:

Compliance

We have audited the compliance of Wapakoneta City School District, Auglaize County, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Wapakoneta City 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 its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

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

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

JIM PETRO
Auditor of State

February 11, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster, CFDA #10.550, 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998-10206-001	Ohio Rev. Code Section 5705.38 Appropriation amendments at the legal level of control that were not approved by the board of education until after fiscal year end.	Yes	



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WAPAKONETA CITY SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2000**