CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Crestview Local School District
Columbiana County
44100 Crestview Road #A
Columbiana, Ohio 44408

To the Board of Education:

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

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

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

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 the 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, are fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Jim Petro
Auditor of State

December 22, 1999

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

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	$518,052	$189,364	$157,366	$154,920
Cash with fiscal agent				
Investments	541,557			
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	1,977,969	37,135	402,545	
Accounts	16,942			
Accrued interest	2,551			
Due from other governments	90,905			
Interfund loan receivable	37,191			
Advances from other funds	22,873			
Prepayments	12,404			
Materials and supplies inventory	27,800			
Restricted assets:				
Equity in pooled cash and cash equivalents	216,841			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
Total Assets and Other Debits	$3,465,085	$226,499	$559,911	$154,920

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$2,183		$26,628			$1,048,513
	$819,966				819,966
		110,000			651,557
					2,417,649
118					17,060
		496			3,047
15,652					106,557
					37,191
					22,873
					12,404
10,387					38,187
					216,841
247,315			$19,008,699		19,256,014
				$164,309	164,309
				3,732,435	3,732,435
$275,655	$819,966	$137,124	$19,008,699	$3,896,744	$28,544,603

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	$44,917	$5,729		$61,121
Accrued wages and benefits	635,105	51,419		
Compensated absences payable	13,079			
Pension obligation payable	90,958	3,594		
Interfund loan payable				26,488
Advances from other funds				
Deferred revenue	1,640,005	36,495	$395,602	
Due to students				
Claims payable				
General obligation bond payable				
Energy conservation notes payable				
Asbestos abatement loan payable				
Obligation under capital lease				
Total liabilities	2,424,064	97,237	395,602	87,609
Equity and Other Credits:				
Investment in general fixed assets				
Contributed capital				
Retained earnings (accumulated deficit): unreserved				
Fund balances:				
Reserved for encumbrances	131,773	59,328		44,238
Reserved for supplies inventory	27,800			
Reserved for prepayments	12,404			
Reserved for advances	22,873			
Reserved for debt service			157,366	
Reserved for tax revenue unavailable for appropriation	28,298	640	6,943	
Reserved for textbooks	48,201			
Reserved for capital and maintenance	86,076			
Reserved for budget stabilization	82,564			
Unreserved-undesignated	601,032	69,294		23,073
Total equity and other credits	1,041,021	129,262	164,309	67,311
Total liabilities, equity and other credits	$3,465,085	$226,499	$559,911	$154,920

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
		$332			$112,099
$24,837					711,361
11,250				$390,323	414,652
11,003				41,723	147,278
10,703					37,191
22,873					22,873
8,396		496			2,080,994
		18,244			18,244
	$49,575				49,575
				3,245,000	3,245,000
				178,227	178,227
				23,815	23,815
				17,656	17,656
89,062	49,575	19,072		3,896,744	7,058,965
			$19,008,699		19,008,699
256,807					256,807
(70,214)	770,391				700,177
		868			236,207
					27,800
					12,404
					22,873
					157,366
					35,881
					48,201
					86,076
					82,564
		117,184			810,583
186,593	770,391	118,052	19,008,699		21,485,638
$275,655	$819,966	$137,124	$19,008,699	$3,896,744	$28,544,603

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

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues:						
From local sources:						
Taxes	$2,242,008	$31,586	$342,391			$2,615,985
Tuition	13,654					13,654
Earnings on investments	82,394			$890	$4,110	87,394
Other local revenues	173,504	120,057			12,543	306,104
Other revenue		12,406				12,406
Intergovernmental - State	3,963,324	44,530	39,645	636,038		4,683,537
Intergovernmental - Federal		430,935				430,935
Total Revenue	6,474,884	639,514	382,036	636,928	16,653	8,150,015
Expenditures:						
Current:						
Instruction:						
Regular	2,880,871	14,053			8,837	2,903,761
Special	229,473	367,118				596,591
Vocational	55,017					55,017
Other	22,840				617	23,457
Support services:						
Pupil	328,146	64,263		115,215	972	508,596
Instructional staff	278,233	13,062		426		291,721
Board of Education	51,567					51,567
Administration	701,641	3,750				705,391
Fiscal	170,586	689	7,468			178,743
Business	2,511					2,511
Operations and maintenance	689,421	22,402				711,823
Pupil transportation	379,285					379,285
Central	17,121				400	17,521
Community services		41				41
Extracurricular activities	133,177	65,814				198,991
Facilities acquisition and construction	470,374			629,551		1,099,925
Debt service:						
Principal retirement	38,589		142,399			180,988
Interest and fiscal charges	5,211		196,768			201,979
Total expenditures	6,454,063	551,192	346,635	745,192	10,826	8,107,908
Excess (deficiency) of revenues over (under) expenditures	20,821	88,322	35,401	(108,264)	5,827	42,107
Other financing sources:						
Proceeds from sale of notes				146,996		146,996
Proceeds from sale of assets	100					100
Total other financing sources	100			146,996		147,096
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	20,921	88,322	35,401	38,732	5,827	189,203
Fund balances, July 1	1,020,808	40,940	128,908	28,579	112,225	1,331,460
Decrease in reserve for inventory	(708)					(708)
Fund Balances, June 30	$1,041,021	$129,262	$164,309	$67,311	$118,052	$1,519,955

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	$2,117,213	$2,236,083	$118,870	$31,000	$31,918	$918
Tuition	5,800	13,254	7,454			
Earnings on investments	93,000	87,854	(5,146)			-
Other local revenues	20,100	21,548	1,448	118,454	119,757	1,303
Other revenue				12,400	12,400	0
Intergovernmental - State	3,668,966	4,019,828	350,862	40,559	45,001	4,442
Intergovernmental - Federal				488,572	385,398	(103,174)
Total revenues	5,905,079	6,378,567	473,488	690,985	594,474	(96,511)
Expenditures:						
Current:						
Instruction:						
Regular	3,064,831	2,930,217	134,614	57,402	42,560	14,842
Special	249,856	230,007	19,849	480,974	324,603	156,371
Vocational	58,414	56,628	1,786			
Other	24,514	24,514	0			
Support services:						
Pupil	330,938	328,305	2,633	83,899	66,822	17,077
Instructional staff	352,090	299,467	52,623	30,023	13,591	16,432
Board of Education	94,248	53,342	40,906			
Administration	715,091	714,695	396	5,069	3,750	1,319
Fiscal	180,532	175,047	5,485	689	689	0
Business	7,375	3,721	3,654			
Operations and maintenance	803,685	746,904	56,781	35,562	34,613	949
Pupil transportation	430,464	382,497	47,967			
Central	34,457	17,121	17,336	50	0	50
Community services				500	41	459
Extracurricular activities	141,620	134,336	7,284	83,634	78,325	5,309
Facilities services	634,911	510,583	124,328			
Pass-through intergovernmental	248	0	248			
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	7,123,274	6,607,384	515,890	777,802	564,994	212,808
Excess (deficiency) of revenues over (under) expenditures	(1,218,195)	(228,817)	989,378	(86,817)	29,480	116,297
Other financing sources (uses):						
Refund of prior year's expenditures	500	136,027	135,527	0	300	300
Refund of prior year's (receipts)	(17)		17			
Advances in						
Advances (out)	(37,191)	(37,191)	0			
Proceeds from sale of notes						
Proceeds from sale of fixed assets	500	100	(400)			
Total other financing sources (uses)	(36,208)	98,936	135,144	0	300	300
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)..	(1,254,403)	(129,881)	1,124,522	(86,817)	29,780	116,597
Fund balances, July 1	1,029,977	1,029,977	0	68,148	68,148	0
Prior year encumbrances appropriated	224,426	224,426	0	26,380	26,380	0
Fund balances, June 30	$0	$1,124,522	$1,124,522	$7,711	$124,308	$116,597

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Debt Service			Capital Projects			Total (Memorandum Only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$350,635	$345,990	($4,645)				$2,498,848	$2,613,991	$115,143
						5,800	13,254	7,454
			$4,162	$1,051	($3,111)	97,162	88,905	(8,257)
						138,554	141,305	2,751
						12,400	12,400	0
35,000	39,645	4,645	753,431	636,038	(117,393)	4,497,956	4,740,512	242,556
						488,572	385,398	(103,174)
385,635	385,635	0	757,593	637,089	(120,504)	7,739,292	7,995,765	256,473
						3,122,233	2,972,777	149,456
						730,830	554,610	176,220
						58,414	56,628	1,786
						24,514	24,514	0
			115,451	115,215	236	530,288	510,342	19,946
			20,325	426	19,899	402,438	313,484	88,954
						94,248	53,342	40,906
						720,160	718,445	1,715
8,000	7,468	532				189,221	183,204	6,017
						7,375	3,721	3,654
						839,247	781,517	57,730
						430,464	382,497	47,967
						34,507	17,121	17,386
						500	41	459
						225,254	212,661	12,593
			831,532	696,671	134,861	1,466,443	1,207,254	259,189
						248	0	248
142,399	142,399	0				142,399	142,399	0
353,602	196,768	156,834				353,602	196,768	156,834
504,001	346,635	157,366	967,308	812,312	154,996	9,372,385	8,331,325	1,041,060
(118,366)	39,000	157,366	(209,715)	(175,223)	34,492	(1,633,093)	(335,560)	1,297,533
						500	136,327	135,827
						(17)	0	17
			26,488	26,488	0	26,488	26,488	0
						(37,191)	(37,191)	0
			146,996	146,996	0	146,996	146,996	0
						500	100	(400)
			173,484	173,484	0	137,276	272,720	135,444
(118,366)	39,000	157,366	(36,231)	(1,739)	34,492	(1,495,817)	(62,840)	1,432,977
118,366	118,366	0	50,300	50,300	0	1,266,791	1,266,791	0
			1,000	1,000	0	251,806	251,806	0
$0	$157,366	$157,366	$15,069	$49,561	$34,492	$22,780	$1,455,757	$1,432,977

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

	Proprietary Fund Types		
	Enterprise	**Internal Service**	**Total (Memorandum Only)**
Operating Revenues:			
Sales/Charges for Services	$179,467	$445,548	$625,015
Other Operating Revenues	93		93
Total Operating Revenues	179,560	445,548	625,108
Operating Expenses:			
Personal Services	168,939	68,010	236,949
Contract Services	7,953		7,953
Materials and Supplies	124,135	1,293	125,428
Depreciation	14,360		14,360
Claims Expense		296,192	296,192
Other Operating Expense	97		97
Total Operating Expenses	315,484	365,495	680,979
Operating Income (Loss)	(135,924)	80,053	(55,871)
Nonoperating Revenues:			
Operating Grants	87,725		87,725
Federal Commodities	19,230		19,230
Interest Revenue	807	42,325	43,132
Total Nonoperating Revenues	107,762	42,325	150,087
Net Income (Loss)	(28,162)	122,378	94,216
Retained Earnings (Accumulated Deficit) at July 1	(42,052)	648,013	605,961
Retained Earnings (Accumulated Deficit) at June 30	($70,214)	$770,391	$700,177

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Cash Flows from Operating Activities:			
Cash Received from Sales/Service Charges	$179,681	$445,548	$625,229
Cash Payments for Personal Services	(161,785)		(161,785)
Cash Payments for Contract Services	(7,953)	(68,010)	(75,963)
Cash Payments Supplies and Materials	(104,242)	(1,293)	(105,535)
Cash Payments for Other Expenses	(97)	(345,936)	(346,033)
Net Cash Provided by (used in) Operating Activities	(94,396)	30,309	(64,087)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Operating Grants	84,585		84,585
Cash Received from Interfund Loans	10,703		10,703
Net Cash Provided by Noncapital Financing Activities	95,288		95,288
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(30,408)		(30,408)
Net Cash Used in Capital and Related Financing Activities	(30,408)		(30,408)
Cash Flows from Investing Activities:			
Interest Received	807	42,325	43,132
Net Cash Provided by Investing Activities	807	42,325	43,132
Net Increase (Decrease) in Cash and Cash Equivalents	(28,709)	72,634	43,925
Cash and Cash Equivalents at Beginning of Year	30,892	747,332	778,224
Cash and Cash Equivalents at End of Year	$2,183	$819,966	$822,149

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)

	Proprietary Fund Types		
	Enterprise	**Internal Service**	***Total*** **(Memorandum Only)**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:			
Operating Income (Loss)	($135,924)	$80,053	($55,871)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:			
Depreciation	14,360		14,360
Federal Donated Commodities	19,230		19,230
Changes in Assets and Liabilities:			
Decrease in Supplies Inventory	2,616		2,616
Decrease in Accounts Receivable	121		121
Increase (Decrease) in Accounts Payable	(160)		(160)
Increase in Accrued Wages & Benefits	3,549		3,549
Increase in Compensated Absences Payable	2,065		2,065
Increase in Pension Obligation Payable	1,540		1,540
Decrease in Claims Payable		(49,744)	(49,744)
Decrease in Deferred Revenue	(1,793)		(1,793)
Net Cash Provided by (used in) Operating Activities	($94,396)	$30,309	($64,087)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

1. DESCRIPTION OF THE ENTITY

The Crestview Local School District (School District) is organized under Section 3311.03 of the Ohio Revised Code as a local school district. 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 currently ranks as the 465th largest in terms of total enrollment among the 612 districts in the State of Ohio. The School District is staffed by 44 non-certificated employees and 84 certificated full-time teaching personnel who provide services to 1,162 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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 as follows:

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units. The following organizations are described due to their relationship with the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Joint Venture Without Equity Interest

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) - OME-RESA is a joint venture among 49 member school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports OME-RESA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. OME-RESA is a governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the Center does not have an equity interest in OME-RESA as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the Treasurer for the Jefferson County Educational Service Center, who serves as fiscal agent, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

2. Jointly Governed Organization

Columbiana County Career Center - The Columbiana County Career Center is a jointly governed organization to provide for the vocational and special education needs of the students of eight participating school districts. The Board of Education members are appointed by the local boards of education from one of its elected members. The Career Center Board of Education exercises total control over the operations, including budgeting, appropriating, contracting, and designating management. All revenues are generated from tax levies, State funding, and fees. Financial information can be obtained by writing to: Columbiana County Career Center, Treasurer's Office, 9364 State Route 45, Lisbon, Ohio 44432.

3. Public Entity Risk Pool

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

B. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

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

Enterprise Funds

The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds

The internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

3. Fiduciary Funds

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. These include an expendable trust fund and an agency fund. The expendable trust fund is 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. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of the agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

4. Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund.

C. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined 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 general purpose financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds and expendable trust fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on the combined balance sheet.

D. Budgetary Data

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

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

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

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 1999.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

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

Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 12 provides disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" and "Investments" on the combined balance sheet. During 1999, investments were limited to certificates of deposit. Investments in nonparticipating investment contracts, such as certificates of deposits, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	Interest Actually Received	Interest Based Upon Share of Investments	Interest Assigned By Other Funds
General Fund	$82,394	$64,017	$18,377
Internal Service Fund: Employee Benefits Self-Insurance	42,325	39,612	2,713

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale. Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District 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 furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Intergovernmental Revenues

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Entitlements

General Fund:
State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds:
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Title I
Drug-Free Grant
Teacher Development
Instructional Materials Subsidy
Family and School Partnership
Classroom Facilities Maintenance
Title VI

Capital Projects Funds:
School Net
Technology Equity
Power-Up
Video Distance Learn
Emergency Building Repair

Reimbursable Grants

General Fund:
Driver Education Reimbursement

Proprietary Funds:
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 58 percent of the School District's operating revenue during the 1999 fiscal year.

I. Compensated Absences

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year end are considered not to have been made with current available financial resources. Bonds 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.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. The School District made no operating transfers during the fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The School District had short-term interfund loans receivable and payable at June 30, 1999.

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The School District had long-term advances receivable and payable at June 30, 1999.

An analysis of interfund transactions is presented in Note 5.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service, prepayments, advances, capital and maintenance, textbooks, budget stabilization and inventories of materials and supplies. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

M. Prepaids

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

N. Contributed Capital

Contributed capital represents grants restricted for capital construction and contributions made by other funds. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those proprietary fund type assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 18 for detail of statutory reserves.

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 1999 included the following individual fund deficits:

	Deficit Fund Balance
Capital Project Fund:	
Emergency Building Repair	(26,488)
Enterprise Funds:	
Adult Education	(81)
Food Service	(70,133)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balance in the Emergency Building Repair capital projects fund is a result of accruing a short-term interfund loan as a liability rather than as an "other financing source" in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit retained earnings in the Adult Education enterprise fund is a result of accruing a short-term interfund loan as a liability rather than as an "other financing source" in accordance with GAAP. This deficit will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

The deficit retained earnings in the Food Service enterprise fund is the result of accruing wage, benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

B. Agency Fund

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

<u>LIABILITIES</u>	
Accounts payable	$463

4. EQUITY IN POOLED CASH AND INVESTMENTS

The School District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents" and "Investments". State statutes require the classification of 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the School District had $100 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".

Cash with Fiscal Agent: The School District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 1999, was $819,966.

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

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the School District's deposits was $1,916,811 and the bank balance was $2,024,325. These amounts include $1,401,557 in nonnegotiable certificates of deposit. Of the bank balance:

A. $200,000 was covered by federal depository insurance; and

2. $1,824,325 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments: Investments are 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 securities held by the School District. 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, but not in the School District's name. The School District had no investments at June 30, 1999.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	2,085,320	651,557
Investments of the cash management pool:		
Certificates of deposit	651,557	(651,557)
Cash with fiscal agent	(819,966)	---
Cash on hand	(100)	---
GASB Statement No. 3	$1,916,811	$ 0

5. INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the School District's interfund loans receivable and payable at June 30, 1999:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	$37,191	$ ---
Capital Projects Funds		
Emergency Building Repair	---	26,488
Enterprise Funds		
Food Service	---	10,612
Adult Education	---	91
Total	$37,191	$37,191

B. The following is a summarized breakdown of the School District's long-term advances to and from other funds at June 30, 1999:

	Advances To Other Funds	Advances From Other Funds
General Fund	$22,873	$ ---
Enterprise Funds		
Food Services	---	22,873
Totals	$22,873	$22,873

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 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.

6. PROPERTY TAXES (Continued)

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 Columbiana 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 1998 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, 1998. 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 and recorded as revenue at June 30, 1999, was $28,298 in the general fund, $6,943 in the debt service fund, and $640 special revenue funds.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 1998, are reflected as a reservation of fund balance for future appropriations. The School District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The assessed value upon which the 1998 taxes were collected was $74,941,830. Agricultural/Residential and public utility/minerals real estate represented 73.0% or $54,705,080 of this total; Commercial & Industrial real estate represented 7.9% or $5,934,930 of this total, public utility tangible represented 9.1% or $6,838,320 of this total and general tangible property represented 10.0% or $7,463,500 of this total. The voted general tax rate at the fiscal year ended June 30, 1998 was $32.70 per $1,000.00 of assessed valuation for operations and $5.92 per $1,000.00 of assessed valuation for debt service.

7. RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accrued interest, accounts (rent, billings for user charged services, and student fees), intergovernmental (to the extent they relate to the current fiscal year), short-term interfund loans and long-term interfund loans. Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

7. RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	$1,977,969
Due from other governments	90,905
Accounts	16,942
Special Revenue Fund	
Taxes - delinquent	37,135
Debt Service Fund	
Taxes - current and delinquent	402,545
Enterprise Fund	
Due from other governments	15,652

8. FIXED ASSETS

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

Furniture and equipment	$287,215
Less accumulated depreciation	(39,900)
Net fixed assets	$247,315

The general fixed assets account group has been restated as of July 1, 1998 due to errors and omissions in the amounts reported as fixed assets.

Asset Category	Balance 6/30/98	Correction	Restated Balance 07/01/98
Land and improvements	$ 102,199	$ ---	$ 102,199
Building and improvements	14,320,452	---	14,320,452
Furniture, fixtures and equipment	2,382,618	336,224	2,718,842
Vehicles	569,854	170,865	740,719
Totals	$17,375,123	$ 507,089	$17,882,212

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

8. FIXED ASSETS (Continued)

Asset Category	Balance 07/01/98	Additions	Deletions	Restated Balance 06/30/99
Land and improvements	$ 102,199	$ ---	$ ---	$ 102,199
Building and improvements	14,320,452	914,981	---	15,235,433
Furniture, fixtures and equipment	2,718,842	230,520	(30,939)	2,918,423
Vehicles	740,719	52,628	(40,703)	752,644
Totals	$17,882,212	$1,198,129	$(71,642)	$19,008,699

9. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into a capital lease agreement for computer equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental fund types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 1999 fiscal year totaled $38,589. This amount is reflected as debt service principal retirement in the general fund.

The following is an analysis of the equipment under capital lease as of June 30, 1999:

	General Fixed Assets
Equipment	$77,349
Carrying Value	$77,349

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999:

General Long-Term Obligation	
Year Ending June 30	Computer Equipment
2000	$18,250
Total minimum lease payments	18,250
Less: amount representing interest	(594)
Present value of future minimum lease payments	$17,656

The District does not have a capitalized lease obligation after fiscal year 2000.

10. LONG-TERM OBLIGATIONS

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

	Outstanding 07/01/98	Additions	Deductions	Outstanding 06/30/99
General obligation bond payable	$3,355,000	$ ---	$ (110,000)	$3,245,000
Energy conservation notes payable	58,630	146,996	(27,399)	178,227
Asbestos abatement loan payable	28,815	---	(5,000)	23,815
Pension obligation	35,482	41,723	(35,482)	41,723
Capital lease payable	56,245	---	(38,589)	17,656
Compensated absences	331,863	96,728	(38,268)	390,323
Total	$3,866,035	$285,447	$ (254,738)	$3,896,744

The general obligation bond outstanding, issued to provide funds for the acquisition and construction of equipment and facilities is a general obligation of the School District for which the full faith and credit of the School District is pledged for repayment.

The School District has issued energy conservation notes to provide for energy improvements to various School District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

The School District received a loan from the U.S. Environmental Protection Agency for an asbestos removal project. The loan is interest free as long as the School District remains current on repayment.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The unmatured obligations at year end are accounted for in the general long-term obligations account group.

The capital lease will be paid from the general fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

B. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal On Bonds	Interest On Bonds	Total
2000	$ 125,000	$ 183,150	$ 308,150
2001	140,000	175,200	315,200
2002	150,000	166,500	316,500
2003	170,000	156,900	326,900
2004	180,000	146,580	326,580
2005 - 2009	1,000,000	566,580	1,566,580
2010 - 2014	1,050,000	272,175	1,322,175
2015 - 2016	430,000	24,795	454,795
Total	$3,245,000	$1,691,880	$4,936,880

10. LONG-TERM OBLIGATIONS (Continued)

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

Fiscal year Ending June 30,	Principal On Notes	Interest On Notes	Total
2000	$ 41,629	$ 8,714	$ 50,343
2001	31,957	6,084	38,041
2002	23,309	4,379	27,688
2003	21,233	3,378	24,611
2004	22,227	2,384	24,611
2005 - 2006	39,407	1,575	40,982
Total	$179,762	$26,514	$206,276

D. Principal requirements to retire the asbestos abatement interest free loan outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal On Loan
2000	$ 5,000
2001	5,000
2002	5,000
2003	5,000
2004	3,815
Total	$23,815

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of $3,664,074 (including available funds of $164,309) and an unvoted debt margin of $74,942.

11. RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the School District has contracted with the following insurance companies to provide coverage in the following amounts:

11. RISK MANAGEMENT (Continued)

A. Comprehensive (Continued)

Coverage	Limits of Coverage	Deductible
Harcum-Hyre Insurance Company		
General liability:		
Each occurrence	$ 1,000,000	$ 0
Aggregate	5,000,000	0
Umbrella liability:		
Each occurrence	1,000,000	10,000
Aggregate	3,000,000	10,000
Nationwide Insurance Company		
Fleet:		
Comprehensive	1,000,000	0
Collision	1,000,000	100
Indiana Insurance Company		
Building and contents	21,341,397	500

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

B. Health and Dental Insurance

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

The claims liability of $49,575 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
1999	$99,319	$299,191	$(348,935)	$49,575
1998	$85,092	$391,165	$(376,938)	$99,319

11. RISK MANAGEMENT (Continued)

C. Worker's Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	Food Service	Adult Recreation	Total Enterprise Funds
Operating revenues	$176,560	$3,000	$179,560
Operating expenses less depreciation	297,704	3,420	301,124
Depreciation expense	14,360	- - -	14,360
Operating loss	(135,504)	(420)	(135,924)
Donated commodities	19,230	- - -	19,230
Operating grants	87,725	- - -	87,725
Net income (loss)	(27,742)	(420)	(28,162)
Net working capital	(26,486)	(81)	26,405
Total assets	275,630	25	275,655
Total liabilities	88,956	106	89,062
Contributed capital	256,807	- - -	256,807
Total equity	186,674	(81)	186,593
Encumbrances outstanding at 6/30/99	1,251	- - -	1,251

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were $114,428, $95,645, and $103,824, respectively. Of the contribution requirement, 49 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $58,890, 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 contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were $458,936, $439,672, and $417,984, respectively. Of the contribution requirement, 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $77,684, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, three members of the Board of Education have elected social security. The School District's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the School District, this amount equaled $262,249 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were $219.224 million and STRS had 91,999 eligible benefit recipients.

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

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

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were $111.9 million and the target level was $139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of $160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled $50,397 during the 1999 fiscal year.

15. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 2 weeks of vacation per year after 1 year of service, 3 weeks of vacation per year after 10 years of service, and 4 weeks of vacation per year after 18 years of service. The 3 principals and superintendent do not earn vacation, their contracts are for a specific number of days and the rest of the year are non-contract days. The high school principal is contracted for 230 days, the middle school principal for 223 days, the elementary principal for 208 days, and the superintendent for 233 days. The treasurer earns 2 weeks of vacation after 1 year of service, 3 weeks of vacation after 10 years of service, and 4 weeks of vacation after 20 years. Accumulated, unused vacation time is not paid to classified employees and administrators upon termination of employment. Certified employees do not earn vacation.

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 fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation for personnel is 235 days for certified employees and 220 days for classified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 47 days for certified employees and 46 days for classified employees.

16. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

16. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES ALL GOVERNMENTAL FUND TYPES

	General	Special Revenue	Debt Service	Capital Projects
Budget basis	$(129,881)	$ 29,780	$39,000	$ (1,739)
Revenue accruals	96,317	45,040	(3,599)	(161)
Expenditure accruals	1,392	(51,255)	---	(38,239)
Other financing sources (uses) accruals	(98,836)	(300)	---	(26,488)
Encumbrances	151,929	65,057	---	105,359
GAAP basis	$ 20,921	$ 88,322	$35,401	$ 38,732

17. CONTINGENCIES

1. Grants

The School District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School District at June 30, 1999.

2. Litigation

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

3. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received total foundation support of $3,990,542.

17. CONTINGENCIES (Continued)

3. *State School Funding Decision*

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 decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

18. STATUTORY RESERVES

The School District is required by State law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Capital Textbook Reserve	Budget Maintenance Reserve	Stabilization Reserve	Total
Balance at 7/1/98	$ 0	$ 0	$32,378	$ 32,378
Required Set-Aside	100,369	100,369	50,186	250,924
Offset Credits	(18,236)	(14,293)	---	(32,529)
Qualifying Expenditures	(33,932)	---	---	(33,932)
Balance at 6/30/99	$ 48,201	$ 86,076	$82,564	$216,841

19. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets accounting and educational statistics reporting.

19. YEAR 2000 ISSUE (Continued)

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, the State of Ohio Equipment Inventory System for its fixed assets accounting and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.

- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.

- The equipment inventory and vehicle inventory system software supported with the OECN State Software is compliant with the Year 2000 beginning with the March 1999 release of SAS V2.0.

- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

Columbiana County collects property taxes for distribution to the District. Columbiana County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

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

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SCHEDULE OF FEDERAL AWARDS EXPENDITURES
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:						
Nutrition Cluster:						
Food Distribution Program	-	10.550		$17,143		$19,230
School Breakfast Program	05-PU-98	10.553	$2,424		$2,424	
	05-PU-99		9,751		9,751	
National School Lunch Program	03-PU-98	10.555	3,889		3,889	
	03-PU-99		11,718		11,718	
	04-PU-98		12,820		12,820	
	04-PU-99		39,210		39,210	
Total U.S. Department of Agriculture - Nutrition Cluster			79,812	17,143	79,812	19,230
U.S. DEPARTMENT OF EDUCATION						
Direct Program:						
E-Rate		84.xxx	11,901			
Passed Through Ohio Department of Education:						
Grants to Local Educational Agencies (ESEA Title I)		84.010	369,798		328,101	
Innovative Educational Program Strategies		84.298	9,182		4,565	
Drug-Free Schools Grant		84.186	6,418		7,713	
Total Department of Education			385,398		340,379	
Total			$477,111	$17,143	$420,191	$19,230

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

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

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Crestview Local School District
Columbiana County
44100 Crestview Road #A
Columbiana, Ohio 44408

To the Board of Education:

We have audited the financial statements of the Crestview Local School District, Columbiana County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-11215-001 through 1999-11215-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the district in a separate letter dated December 22, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 22, 1999

This report is intended for the information and use of the audit committee, 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

December 22, 1999

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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

Crestview Local School District
Columbiana County
44100 Crestview Road #A
Columbiana, Ohio 44408

To the Board of Education:

Compliance

We have audited the compliance of the Crestview Local School District, Columbiana 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. The 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, the 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 audit committee, 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

December 22, 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 material non-compliance at the financial statement level (GAGAS)?**	Yes
(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):**	Title 1 - CFDA #84.010
(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

FINDING NUMBER 1999-11215-001

Noncompliance Citations

Ohio Revised Code 5705.39 states that the total appropriation from each fund should not exceed total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the appropriations from each fund do not exceed the total official estimate. The total appropriations for the following funds exceeded the estimated revenues:

	Appropriations	Estimated Resources	Variance
Adult Education Fund	$3,405	$2,730	$(675)
Athletic Funds	$33,272	$(18,198)	$(51,470)

The District should not appropriate in excess of it's estimated revenues. When the School District's actual receipts exceed and/or are less than the certified estimate, the School District's Treasurer should certify the amount of the excess or reduction to the county budget commission, and obtain an amended official certificate of estimated resources.

FINDING NUMBER 1999-11215-002

Ohio Revised Code section 5705.412 requires that no school district is supposed to: adopt any appropriation, make any contract, give any order to expend money or increase salary schedules during any school year without attaching a "412" certificate signed by the treasurer, board president, and superintendent. The certificate provides that the school district has in effect for the remainder of the fiscal year and the succeeding fiscal year the authorization to levy taxes which, when combined with estimated revenue from all other sources available at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to operate an adequate educational program for all days during the current and succeeding fiscal year. Section 5705.412 certificates should be executed for: appropriation measures (except certain temporary measures); negotiated agreements, contracts for benefits, increased salary and wage schedules and construction contracts.

The District approved their annual appropriation measure on September 9, 1998 and did not execute a "412" certificate.

We recommend that "412" certificates, with all the required language and signatures, be developed and executed for all future annual appropriation measures.

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

FINDING NUMBER 1999-11215-003

Noncompliance Citations (Continued)

Ohio Revised Code 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The District had various funds where expenditures and encumbrances exceeded appropriations. As of June 30, 1999, the following fund type had expenditures and encumbrances in excess of appropriations:

Name of Fund Type	Appropriations	Expenditures and Encumbrances	Variance
Athletic Funds	$22,084	$25,011	$(2,927)

The failure to limit spending caused the expenditures to exceed available resources and create deficit fund balances. The Treasurer should monitor the budget to ensure that all expenditures and encumbrances have been appropriated.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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CRESTVIEW LOCAL SCHOOL DISTRICT

COLUMBIANA 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.

By: Susan Babbitt

Date: JAN 11 2000