

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Indian Valley Local School District
Tuscarawas County
100 North Walnut Street, P.O. Box 171
Gnadenhutten, Ohio 44629

To the Board of Education:

We have audited the accompanying general purpose financial statements of Indian Valley Local School District, Tuscarawas County, Ohio, (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 District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.


Jim Petro
Auditor of State

December 15, 1999

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INDIAN VALLEY LOCAL SCHOOL DISTRICT

Combined Balance Sheet
All Fund Types and Account Groups

June 30, 1999

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 882,490	\$ 88,553	\$ 213,369	\$ 62,000
Restricted Equity in Pooled Cash	113,697	0	0	0
Investments	0	0	0	0
Receivables:				
Taxes	3,375,368	0	580,550	0
Interfund	42,758	0	0	0
Intergovernmental Receivable	3,794	43,082		
Inventory	0	0	0	0
Fixed Assets (Net of Accumulated Depreciation, where applicable)	0	0	0	0
Total Assets	<u>4,418,107</u>	<u>131,635</u>	<u>793,919</u>	<u>62,000</u>
Other Debits				
Amount Available In Debt Service				
Fund for Retirement of General Long Term Obligations	0	0	0	0
Amount to be Provided from General				
Government Resources	0	0	0	0
Total Other Debits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Other Debits	<u>\$ 4,418,107</u>	<u>\$ 131,635</u>	<u>\$ 793,919</u>	<u>\$ 62,000</u>
Liabilities				
Accounts Payable	\$ 28,139	\$ 4,974	\$ 0	\$ 0
Accrued Wages and Benefits	968,407	60,771	0	0
Compensated Absences Payable	34,662	0	0	0
Interfund Payable	0	0	0	42,758
Intergovernmental Payable	180,738	10,408	0	0
Deferred Revenue	2,706,289	0	462,477	0
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>3,918,235</u>	<u>76,153</u>	<u>462,477</u>	<u>42,758</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit):				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	217,627	5,440	0	0
Reserved for Endowment	0	0	0	0
Reserved for Budget Stabilization	113,697	0	0	0
Reserved for Tax Revenue Unavailable for Appropriation	669,079	0	118,073	0
Unreserved:				
Undesignated	(500,531)	50,042	213,369	19,242
Total Fund Equity and Other Credits	<u>499,872</u>	<u>55,482</u>	<u>331,442</u>	<u>19,242</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 4,418,107</u>	<u>\$ 131,635</u>	<u>\$ 793,919</u>	<u>\$ 62,000</u>

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Type	Fiduciary Funds	Account Groups		Totals (Memorandum Only)
		Trust and Agency Funds	General Fixed Assets	
Enterprise				
\$ 35,664	\$ 19,197	\$ 0	\$ 0	\$ 1,301,273
0	0	0	0	113,697
0	10,263	0	0	10,263
0	0	0	0	3,955,918
0	0	0	0	42,758
0	0	0	0	46,876
14,434	0	0	0	14,434
168,930	0	16,395,186	0	16,564,116
<u>219,028</u>	<u>29,460</u>	<u>16,395,186</u>	<u>0</u>	<u>22,049,335</u>
0	0	0	331,442	331,442
0	0	0	7,684,280	7,684,280
<u>0</u>	<u>0</u>	<u>0</u>	<u>8,015,722</u>	<u>8,015,722</u>
<u>\$ 219,028</u>	<u>\$ 29,460</u>	<u>\$ 16,395,186</u>	<u>\$ 8,015,722</u>	<u>\$ 30,065,057</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,113
42,671	0	0	0	1,071,849
15,262	0	0	796,021	845,945
0	0	0	0	42,758
20,768	0	0	64,728	276,642
8,351	0	0	0	3,177,117
0	19,098	0	0	19,098
0	0	0	64,973	64,973
3,522	0	0	0	3,522
0	0	0	7,090,000	7,090,000
<u>90,574</u>	<u>19,098</u>	<u>0</u>	<u>8,015,722</u>	<u>12,625,017</u>
0	0	16,395,186	0	16,395,186
143,948	0	0	0	143,948
(15,494)	0	0	0	(15,494)
0	0	0	0	223,067
0	10,000	0	0	10,000
0	0	0	0	113,697
0	0	0	0	787,152
0	362	0	0	(217,516)
<u>128,454</u>	<u>10,362</u>	<u>16,395,186</u>	<u>0</u>	<u>17,440,040</u>
<u>\$ 219,028</u>	<u>\$ 29,460</u>	<u>\$ 16,395,186</u>	<u>\$ 8,015,722</u>	<u>\$ 30,065,057</u>

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INDIAN VALLEY LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues						
Taxes	\$ 2,532,424	\$ 0	\$ 447,664	\$ 0	\$ 0	\$ 2,980,088
Transportation Fees	48,031	0	0	0	0	48,031
Intergovernmental	5,674,010	544,510	63,080	9,207	0	6,290,807
Investment Income	89,823	0	0	0	0	89,823
Tuition and Fees	31,529	600	0	0	0	32,129
Extracurricular Activities	0	119,268	0	0	0	119,268
Miscellaneous	7,928	4,255	0	55,000	0	67,183
Total Revenues	8,383,745	668,633	510,744	64,207	0	9,627,329
Expenditures						
Instruction:						
Regular	4,137,806	92,578	0	32,242	0	4,262,626
Special	397,725	304,404	0	0	0	702,129
Vocational	331,889	0	0	0	0	331,889
Other	164,075	0	0	0	0	164,075
Support Services:						
Pupils	228,206	2,697	0	0	0	230,903
Instructional Staff	205,088	71,728	0	0	0	276,816
Board of Education	23,622	0	0	0	0	23,622
Administration	826,582	41,995	0	0	0	868,577
Fiscal	196,432	0	10,500	0	0	206,932
Business	68,184	0	0	0	0	68,184
Operation and Maintenance						
of Plant	932,108	7,320	0	0	0	939,428
Pupil Transportation	676,635	7,612	0	0	0	684,247
Central	8,940	3,758	0	0	0	12,698
Extracurricular Activities	175,028	116,180	0	0	0	291,208
Capital Outlay	1,000	0	0	217,044	0	218,044
Debt Service:						
Principal Retirement	33,926	0	129,068	0	0	162,994
Interest and Fiscal Charges	1,199	0	440,217	0	0	441,416
Total Expenditures	8,408,445	648,272	579,785	249,286	0	9,885,788
Excess of Revenues Over (Under) Expenditures	(24,700)	20,361	(69,041)	(185,079)	0	(258,459)
Other Financing Sources (Uses)						
Operating Transfers In	0	5,086	0	0	0	5,086
Operating Transfers Out	(5,796)	0	0	0	0	(5,796)
Total Other Financing Sources	(5,796)	5,086	0	0	0	(710)
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(30,496)	25,447	(69,041)	(185,079)	0	(259,169)
Fund Balances at						
Beginning of Year	530,368	30,035	400,483	204,321	99	1,165,306
Fund Balances at						
End of Year	\$ 499,872	\$ 55,482	\$ 331,442	\$ 19,242	\$ 99	\$ 906,137

The accompanying notes are an integral part of these financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 3,000,000	\$ 3,002,697	\$ 2,697
Transportation Fees	40,000	48,031	8,031
Intergovernmental	5,712,500	5,717,326	4,826
Investment Income	89,000	89,691	691
Tuition and Fees	32,500	31,529	(971)
Extracurricular Activities	0	0	0
Miscellaneous	4,500	7,928	3,428
Total Revenues	8,878,500	8,897,202	18,702
Expenditures			
Current			
Instruction	5,047,152	4,955,451	91,701
Support Services			
Pupils	290,041	236,858	53,183
Instructional Staff	234,281	206,478	27,803
Board of Education	27,411	23,619	3,792
Administration	855,731	813,481	42,250
Fiscal	196,817	195,255	1,562
Business	70,973	68,386	2,587
Operation and Maintenance of Plant	1,057,530	936,806	120,724
Pupil Transportation	815,955	772,894	43,061
Central	10,100	8,940	1,160
Extracurricular Activities	188,628	179,630	8,998
Capital Outlay	92,985	75,545	17,440
Debt Service			
Principal Retirement	33,926	33,926	0
Interest and Fiscal Charges	1,199	1,199	0
Total Expenditures	8,922,729	8,508,468	414,261
Excess of Revenues Over (Under) Expenditures	(44,229)	388,734	432,963
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	1,000	0	(1,000)
Advances In	142,500	143,613	1,113
Advances Out	(76,500)	(76,058)	442
Operating Transfers In	0	0	0
Operating Transfers Out	(6,000)	(5,796)	204
Total Other Financing Sources (Uses)	61,000	61,759	759
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	16,771	450,493	433,722
Fund Balances at Beginning of Year	293,706	293,706	0
Prior Year Encumbrances Appropriated	10,497	10,497	0
Fund Balances at End of Year	\$ 320,974	\$ 754,696	\$ 433,722

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 546,500	\$ 545,490	\$ (1,010)
0	0	0	0	0	0
620,978	621,491	513	62,000	63,080	1,080
0	0	0	0	0	0
600	600	0	0	0	0
116,540	119,268	2,728	0	0	0
5,100	4,255	(845)	0	0	0
<u>743,218</u>	<u>745,614</u>	<u>2,396</u>	<u>608,500</u>	<u>608,570</u>	<u>70</u>
417,793	387,215	30,578	0	0	0
0	0	0	0	0	0
90,412	71,773	18,639	0	0	0
0	0	0	0	0	0
48,203	42,733	5,470	0	0	0
0	0	0	11,900	10,500	1,400
0	0	0	0	0	0
7,320	7,320	0	0	0	0
7,811	7,612	199	0	0	0
3,758	3,758	0	0	0	0
135,690	114,866	20,824	0	0	0
0	0	0	0	0	0
0	0	0	129,068	129,068	0
0	0	0	440,432	440,217	215
<u>710,987</u>	<u>635,277</u>	<u>75,710</u>	<u>581,400</u>	<u>579,785</u>	<u>1,615</u>
32,231	110,337	78,106	27,100	28,785	1,685
0	0	0	0	0	0
1,100	1,100	0	0	0	0
(86,543)	(86,542)	1	0	0	0
5,086	5,086	0	0	0	0
0	0	0	0	0	0
<u>(80,357)</u>	<u>(80,356)</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
(48,126)	29,981	78,107	27,100	28,785	1,685
38,907	38,907	0	184,584	184,584	0
12,546	12,546	0	0	0	0
<u>\$ 3,327</u>	<u>\$ 81,434</u>	<u>\$ 78,107</u>	<u>\$ 211,684</u>	<u>\$ 213,369</u>	<u>\$ 1,685</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types
(Non-GAAP Budgetary Basis) - continued*

For the Year Ended June 30, 1999

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Transportation Fees	0	0	0
Intergovernmental	9,207	9,207	0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	55,000	55,000	0
Total Revenues	<u>64,207</u>	<u>64,207</u>	<u>0</u>
Expenditures			
Current			
Instruction	39,205	32,242	6,963
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	345,753	345,753	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>384,958</u>	<u>377,995</u>	<u>6,963</u>
Excess of Revenues Over (Under) Expenditures	(320,751)	(313,788)	6,963
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	0	0	0
Advances In	42,758	42,758	0
Advances Out	(24,871)	(24,871)	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>17,887</u>	<u>17,887</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(302,864)	(295,901)	6,963
Fund Balances at Beginning of Year	29,438	29,438	0
Prior Year Encumbrances Appropriated	328,464	328,464	0
Fund Balances at End of Year	<u>\$ 55,038</u>	<u>\$ 62,001</u>	<u>\$ 6,963</u>

The accompanying notes are an integral part of these financial statements.

Total (Memorandum Only)

<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 3,546,500	\$ 3,548,187	\$ 1,687
40,000	48,031	8,031
6,404,685	6,411,104	6,419
89,000	89,691	691
33,100	32,129	(971)
116,540	119,268	2,728
64,600	67,183	2,583
<u>10,294,425</u>	<u>10,315,593</u>	<u>21,168</u>
5,504,150	5,374,908	129,242
290,041	236,858	53,183
324,693	278,251	46,442
27,411	23,619	3,792
903,934	856,214	47,720
208,717	205,755	2,962
70,973	68,386	2,587
1,064,850	944,126	120,724
823,766	780,506	43,260
13,858	12,698	1,160
324,318	294,496	29,822
438,738	421,298	17,440
162,994	162,994	0
441,631	441,416	215
<u>10,600,074</u>	<u>10,101,525</u>	<u>498,549</u>
(305,649)	214,068	519,717
1,000	0	(1,000)
186,358	187,471	1,113
(187,914)	(187,471)	443
5,086	5,086	0
(6,000)	(5,796)	204
<u>(1,470)</u>	<u>(710)</u>	<u>760</u>
(307,119)	213,358	520,477
546,635	546,635	0
<u>351,507</u>	<u>351,507</u>	<u>0</u>
<u>\$ 591,023</u>	<u>\$ 1,111,500</u>	<u>\$ 520,477</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Combined Statement of Revenues,
Expenses, and Changes in Fund Equity
Proprietary Fund Type and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Type		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues			
Sales	\$ 272,030	\$ 0	\$ 272,030
Charges for Services	15,991	0	15,991
Investment Income	0	559	559
Total Operating Revenues	288,021	559	288,580
Operating Expenses			
Salaries	181,962	0	181,962
Fringe Benefits	94,444	0	94,444
Purchased Services	3,571	0	3,571
Materials and Supplies	237,057	0	237,057
Depreciation	12,141	0	12,141
Other Operating Expenses	300	577	877
Total Operating Expenses	529,475	577	530,052
Operating Loss	(241,454)	(18)	(241,472)
Non-Operating Revenues (Expenses)			
Operating Grants	201,373	0	201,373
Government Donated Commodities	32,427	0	32,427
Investment Income	149	0	149
Interest and Fiscal Charges	(753)	0	(753)
Total Non-Operating Revenues (Expenses)	233,196	0	233,196
Loss Before Operating Transfers	(8,258)	(18)	(8,276)
Operating Transfers In	710	0	710
Net Loss	(7,548)	(18)	(7,566)
Depreciation on Fixed Assets Acquired By Contributed Capital	10,665	0	10,665
Retained Earnings/Fund Balance at Beginning of Year	(18,611)	10,281	(8,330)
Retained Earnings/Fund Balance (Deficit) at End of Year	(15,494)	10,263	(5,231)
Contributed Capital at Beginning of Year	154,613	0	154,613
Depreciation on Fixed Assets Acquired by Contributed Capital	(10,665)	0	(10,665)
Contributed Capital at End of Year	143,948	0	143,948
Total Fund Equity at End of Year	\$ 128,454	\$ 10,263	\$ 138,717

The accompanying notes are an integral part of these financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Type		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 288,021	\$ 0	\$ 288,021
Investment Income	0	559	559
Cash Paid for Goods and Services	(208,374)	(577)	(208,951)
Cash Paid to Employees	(272,454)	0	(272,454)
Net Cash (Used in) Operating Activities	(192,807)	(18)	(192,825)
Cash Flows From Non-Capital Financing Activities			
Grants	235,202	0	235,202
Operating Transfers In	710	0	710
Net Cash Provided by Non-Capital Activities	235,912	0	235,912
Cash Flows From Capital and Related Financing Activities			
Payments on Capital Lease	(6,603)	0	(6,603)
Interest Paid	(753)	0	(753)
Net Cash Used in Non-Capital Activities	(7,356)	0	(7,356)
Cash Flows From Investing Activities			
Purchase of Fixed Assets	(950)	0	(950)
Investment Income	149	0	149
Sale of investment	0	18	18
Net Cash (Used in) Investing Activities	(801)	18	(783)
Net Increase in Cash and Cash Equivalents	34,948	0	34,948
Cash and Cash Equivalents at Beginning of Year	716	0	716
Cash and Cash Equivalents at End of Year	\$ 35,664	\$ 0	\$ 35,664
Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities			
Operating Loss	\$ (241,454)	\$ (18)	\$ (241,472)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) for Operating Activities:			
Depreciation	12,141	0	12,141
Donated Commodities Used	32,427	0	32,427
(Increase) in Inventory	(697)	0	(697)
Increase in Accrued Wages and Benefits	6,297	0	6,297
(Decrease) in Compensated Absences Payable	(232)	0	(232)
(Decrease) in Intergovernmental Payable	(2,113)	0	(2,113)
Increase in Deferred Revenue	824	0	824
Total Adjustments	48,647	0	48,647
Net Cash Used in Operating Activities	\$ (192,807)	\$ (18)	\$ (192,825)
Reconciliation of Cash and Cash Equivalents to the Balance Sheet			
Trust and Agency	\$ 19,197		
Less: Agency and Expendable Trust Funds	19,197		
Nonexpendable Trust Fund	\$ 0		

The accompanying notes are an integral part of these financial statements.

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INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Indian Valley Local School District (District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on October 1, 1998, was 1,792. The District employs 125 certificated and 77 non-certificated employees.

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

The District is involved with Ohio Mid-Eastern Regional Educational Services Association (OME-RESA) and Buckeye Career Center, which are defined as jointly governed organizations, and the Gnadenhutzen Public Library, which is defined as a related organization. Additional information concerning the jointly governed and related organizations is presented in Notes 14 and 17.

Management believes the general purpose financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 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 District's accounting policies are described below.

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups to report on its financial position and the results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type

The proprietary fund type is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary funds include the following fund type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Funds - Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Fund - The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds.

Agency Funds - The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets the District holds for others in an agency capacity.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District, other than those accounted for in proprietary or nonexpendable trust funds.

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

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified by the County Auditor.

All funds are required to be budgeted and appropriated except agency funds. The primary level of budgetary control is at the object level within the General Fund and Lunchroom Fund. For all other funds, the primary level of budgetary control is at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

C. Cash, Cash Equivalents, 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" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio and certificates of deposit.

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$89,823, which includes \$32,336 assigned from other District funds.

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

D. 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. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1999, the District set aside the required amounts required by State statute. Fund balance reserves have also been established.

E. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

F. Estimates

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables." Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

H. 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 consist 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 and are expensed when used.

Inventories are not significant for governmental fund types and, therefore, are not reported.

I. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: equipment 5 to 20 years. The capitalization threshold is \$500.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

K. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

L. Interfund Transactions

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

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

N. Fund Balance Reserves

The 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 balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization, tax revenue, and endowment. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Contributed Capital

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

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

INDIAN VALLEY LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Intergovernmental Revenues

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

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund:

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

Non-Reimbursable Grants

Special Revenue Funds:

- Auxiliary Services
- Education Management Information Systems
- Eisenhower Grant
- Title I
- Title II
- Title VI
- Title VI-B
- Drug-Free Schools
- Teacher Development Block Grant
- Continuous Improvement Grant

Capital Projects Funds:

- School Net

Reimbursable Grants

General Fund:

- Driver Education

Enterprise Funds:

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 60% of the District's operating revenue during the 1999 fiscal year.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3: BUDGETARY PROCESS

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit a proposed operating budget to the Board of Education. A budget of estimated revenue and expenditures is submitted to the Tuscarawas County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (NonGAAP Basis) and Actual - All Governmental Fund Types" do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual Appropriation Resolution must be passed by October 1 of each year for the period July 1 to June 30. The Appropriation Resolution fixes spending authority at the fund and function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 3: BUDGETARY PROCESS (Continued)

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

Budgetary Reporting

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

- 1) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 3: BUDGETARY PROCESS (Continued)

- 4) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5) The District repays debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses) Reconciliation of Budget Basis to GAAP Basis

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Budgetary Basis	\$ 450,493	\$ 29,981	\$ 28,785	\$ (295,901)
Encumbrances	241,359	7,120	0	0
Revenue accruals	(657,070)	(78,081)	(97,826)	(42,758)
Expenditure accruals	<u>(65,278)</u>	<u>66,427</u>	<u>0</u>	<u>153,580</u>
GAAP Basis	<u>\$ (30,496)</u>	<u>\$ 25,447</u>	<u>\$ (62,041)</u>	<u>\$ (185,079)</u>

NOTE 4: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet the 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 or withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits 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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institutions as security for repayment, by *surety company bonds deposited with the District by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited within 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;
- 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 any 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; and
- 6) The State Treasurer's Investment Pool (STAR Ohio).

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$(36,746) which includes petty cash and cash on hand in the amount of \$1,130, and the bank balance was \$116,824. Of the bank balance:

1. \$110,263 was covered by federal depository insurance.
2. \$6,561 was unsecured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

At year end, the District's funds were invested entirely in the State Treasurer's Investment Pool with a balance of \$1,461,979. The State Treasurer's Investment Pool does not require categorization under Governmental Accounting Standards Board Statement No. 3 since they are not evidenced by securities that exist in physical or book entry form.

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, "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 financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,414,970	\$ 10,263
Certificate of Deposit	10,263	(10,263)
STAR Ohio	<u>(1,461,979)</u>	<u>1,461,979</u>
GASB Statement No. 3	<u>\$ (36,746)</u>	<u>\$ 1,461,979</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 5: FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

The changes in general fixed assets during the year consisted of:

	Balance June 30, 1998	Additions	Disposals	Balance June 30, 1999
Land	\$ 65,146	\$ 0	\$ 0	\$ 65,146
Improvements other than buildings	852,709	0	0	852,709
Buildings and improvements	10,763,496	511,100	(53,768)	11,220,828
Furniture and equipment	2,801,700	125,379	0	2,927,079
Vehicles	<u>1,273,979</u>	<u>55,445</u>	<u>0</u>	<u>1,329,424</u>
	<u>\$ 15,757,030</u>	<u>\$ 691,924</u>	<u>\$ (53,768)</u>	<u>\$ 16,395,186</u>

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>June 30, 1999</u>
Equipment	\$ 310,060
Less: Accumulated Depreciation	<u>141,130</u>
Net Fixed Assets	<u>\$ 168,930</u>

NOTE 6: LONG-TERM OBLIGATIONS

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

	Principal Outstanding June 30, 1998	Additions	Deductions	Principal Outstanding June 30, 1999
HB 264 Note, 5.25% interest rate, due January 11, 2003	\$ 79,041	\$ 0	\$ (14,068)	\$ 64,973
General Obligation Bonds 4.75% - 7.00% interest rate, due December 1, 2019	7,205,000	0	(115,000)	7,090,000

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 6: LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding <u>June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>June 30, 1999</u>
Capital leases	\$ 44,051	\$ 0	\$ (40,529)	\$ 3,522
Intergovernmental payable	67,996	64,728	(67,996)	64,728
Compensated absences	<u>714,330</u>	<u>796,021</u>	<u>(714,330)</u>	<u>796,021</u>
Total General Long-term Obligations	<u>\$ 8,110,418</u>	<u>\$ 860,749</u>	<u>\$ (951,923)</u>	<u>\$ 8,019,244</u>

Outstanding general obligation bonds consist of school building construction issues. Such bonds are direct obligations of the District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the District.

Energy conservation notes are direct obligations of the District for which its full faith, credit and resources are pledged. Proceeds from the notes were used for energy conservation improvements to school buildings.

No new debt was issued in 1999.

Annual requirement to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2000	\$ 134,891	\$ 433,635	\$ 568,526
2001	145,751	426,522	572,273
2002	151,678	418,837	570,515
2003	182,653	410,056	592,709
2004	195,000	399,746	594,746
Future years	<u>6,345,000</u>	<u>3,746,413</u>	<u>10,091,413</u>
Total	<u>\$ 7,154,973</u>	<u>\$ 5,835,209</u>	<u>\$ 12,990,182</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 7: LEASES

A. Capital Lease

The District leases kitchen equipment under a capital lease. The kitchen equipment and related liability is reported in the Enterprise Funds.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 1999:

	<u>Enterprise</u>
Year ending June 30, 2000	\$ 3,678
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(156)</u>
Present value of minimum lease payments	<u>\$ 3,522</u>

B. Operating Lease

The District has entered into a multiple year agreement to lease copier equipment and service. The remaining obligations under the agreement are as follows:

Year ending June 30, 2000	\$ 55,200
2001	55,200
2002	55,200
2003	4,600

NOTE 8: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Tuscarawas County Auditor is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The County Auditor reappraises real property every six years with a triennial update, the last update for Tuscarawas County was done in 1998. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, real property taxes are billed semi-annually one year in arrears. The tax rate applied to real property collected in 1998 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$42.90 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$31.81 per \$1,000 of assessed valuation for residential and agricultural real property, and \$39.93 per \$1,000 of assessed valuation for other real property.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 8: PROPERTY TAXES (Continued)

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 1998 was \$42.90 per \$1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 1999, was \$787,152.

NOTE 9: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7% of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$177,768, \$186,476 and \$173,325, respectively. 50% has been contributed for fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$88,884, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligation account group.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (STRS)

The District contributes to the State Teachers' Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3% of their annual covered salaries. The District was required to contribute 14%; 6% was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$647,328, \$633,480, and \$579,408, respectively; 83% has been contributed for fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$107,888, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

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

NOTE 10: POSTEMPLOYMENT BENEFITS

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 10: POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund, an increase from 3.5% for fiscal year 1998. For the District, this amount equaled \$159,045 for fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3% of covered payroll, an increase from 4.98% for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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 was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$84,006.

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

NOTE 11: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$32,427.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 12: INTERFUND ACTIVITY

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

<u>Fund Type/Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 42,758	\$ 0
Capital Projects:		
Emergency Repair	0	42,758
Total all funds	<u>\$ 42,758</u>	<u>\$ 42,758</u>

NOTE 13: SET ASIDES

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

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

	<u>Budget Stabilization Reserve</u>	<u>Textbook/ Instructional Materials</u>	<u>Capital Improvement</u>	<u>Total</u>
The balance of the set-aside carried forward from the prior year	\$ 49,371	\$ 0	\$ 0	\$ 49,371
Current year set-aside requirements	64,326	128,652	128,652	321,630
Current year offsets	0	(25,224)	0	(25,224)
Qualifying expenditures during the fiscal year	<u>0</u>	<u>(177,020)</u>	<u>(143,758)</u>	<u>(320,778)</u>
Total	<u>\$ 113,697</u>	<u>\$ (73,592)</u>	<u>\$ (15,106)</u>	<u>\$ 24,999</u>
The balance of the set-aside carried forward to the next fiscal year	<u>\$ 113,697</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 113,697</u>

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 14: RELATED ORGANIZATION

The Gnadenhutten Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as a taxing authority and may issue tax related debt *on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Board of Trustees.* Financial information can be obtained from the Gnadenhutten Public Library, Clerk/Treasurer, Gnadenhutten, Ohio.

NOTE 15: SEGMENT INFORMATION

The District maintains enterprise funds to account for the operation of food service, uniform school supplies and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise</u>
Operating Revenues	\$ 272,030	\$ 15,991	\$ 0	\$ 288,021
Operating Expenses,				
Less Depreciation	500,644	16,690	0	517,334
Depreciation Expense	12,141	0	0	12,141
Operating Loss	(240,755)	(699)	0	(241,454)
Donated Commodities	32,427	0	0	32,427
Operating Grants	201,373	0	0	201,373
Transfers In	0	710	0	710
Interest Income	149	0	0	149
Interest and Fiscal Charges	(753)	0	0	(753)
Net Income (Loss)	(7,559)	11	0	(7,548)
Net Working Capital	(25,388)	11	163	(25,214)
Total Assets	218,854	11	163	219,028
Total Equity	128,280	11	163	128,454

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 16: RISK MANAGEMENT

A. General Insurance

The 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. The District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$28,570,523. The District's vehicle insurance policy limit is \$2,000,000 with a \$100 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the District carries a \$2,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 in aggregate. Claims did not exceed coverage in the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Fidelity Bond

The Board President and Superintendent have a \$25,000 position bond. The Treasurer is covered under a surety bond in the amount of \$100,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

C. Workers' Compensation

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Risk Sharing Pool

The Stark County Schools Council (the "Council") is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the District by grouping with other members of the Health Benefits Program. The experience of all participating districts are calculated as one and a common premium rate is applied to all member districts. New members must maintain a reserve amount equal to 30 percent of claims paid for the preceding twelve month period.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Education Association (OME-RESA)

OME-RESA is a jointly governed organization comprised of 52 school districts, created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Education Services Center, which serves as fiscal agent, located in Steubenville, Ohio. During the year ended June 30, 1999, the District paid approximately \$39,561 to OME-RESA for basic service charges.

B. Buckeye Career Center

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

NOTE 18: CONTINGENCIES

A. Grants

The District received financial assistance from federal and state 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 the overall financial position of the District at June 30, 1999.

B. Litigation

The District is party to legal proceedings. The District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 19: SCHOOL FUNDING ISSUE

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring portions of the Ohio School Funding Plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$5,531,669 of school foundation support for its general fund.

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

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

NOTE 20: 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.

The District has completed an inventory of computer systems and other equipment necessary to conducting the District's operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The District obtains utility services from outside vendors whose systems have been identified as mission critical to the District. Vendors are responsible for remediating their systems and are solely responsible for any associated costs.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff System software for its payroll and employee benefits. The State is responsible for remediating these systems and any associated costs.

Tuscarawas County collects property tax for distribution to the District. The county is responsible for remediating the tax collection system and any associated costs.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 20: YEAR 2000 ISSUE (Continued)

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and Federal and State 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 and any associated cost.

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.

NOTE 21: SUBSEQUENT EVENT

Effective July 1, 1999, the District no longer participated in the Stark County Schools Council risk sharing pool for health care benefits. The District became self-insured and has contracted with a third party to administer the health care program.

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

<u>Federal/Grantor Sub Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Cash Receipts</u>	<u>Non-Cash Receipts</u>	<u>Cash Expenditures</u>	<u>Non-Cash Expenditures</u>
U.S. Department of Education						
<i>(Direct)</i>						
Telecommunications (E-Rate)	84.XXX	N/A	\$12,890	\$0	\$12,890	\$0
<i>(Passed through the Ohio Department of Education)</i>						
Title 1 Grants to Local Educational Agencies	84.010	C1S199	264,541	0	235,663	0
		C1S198	127,015	0	127,164	0
		C1S198C	18,957	0	18,957	0
Total Title I Grants to Local Educational Agencies			<u>410,513</u>	<u>0</u>	<u>381,784</u>	<u>0</u>
Special Education Grants to State	84.027	6BSF99	101,100	0	83,004	0
		6BSF98	1,550	0	11,117	0
Total Special Education Grants to State			<u>102,650</u>	<u>0</u>	<u>94,121</u>	<u>0</u>
Innovative Educational Program Strategies	84.298	C2S199	6,587	0	6,587	0
		C2S198	(13)	0	0	0
Total Innovative Education Program Strategies			<u>6,574</u>	<u>0</u>	<u>6,587</u>	<u>0</u>
Goals 2000 State & Local Systemic Improvement	84.276	G2S299	5,000	0	197	0
Total U.S. Department of Education			<u>537,627</u>	<u>0</u>	<u>495,579</u>	<u>0</u>
National Foundation on the Arts and the Humanities						
<i>(Passed through the State Library of Ohio)</i>						
State Library Program	45.310	N/A	15,000	0	12,399	0
U.S. Department of Agriculture						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	191,510	0	191,510	0
National School Breakfast Program	10.553	N/A	29,275	0	29,275	0
Food Distribution Program	10.550	N/A	0	33,242	0	32,418
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>220,785</u>	<u>33,242</u>	<u>220,785</u>	<u>32,418</u>
Totals			<u>\$773,412</u>	<u>\$33,242</u>	<u>\$728,763</u>	<u>\$32,418</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary 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 disbursed. 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

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Indian Valley Local School District
Tuscarawas County
100 North Walnut Street, P.O. Box 171
Gnadenhutten, Ohio 44629

To the Board of Education:

We have audited the general purpose financial statements of Indian Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 15, 1999.

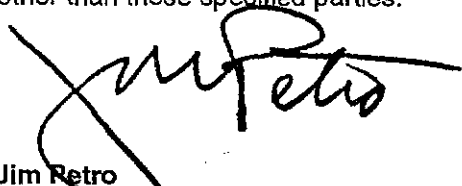
Internal Control Over Financial Reporting

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 15, 1999.

Indian Valley Local School District
Tuscarawas County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Governmental Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Retro", written over a large, stylized "X" mark.

Jim Retro
Auditor of State

December 15, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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**

Indian Valley Local School District
Tuscarawas County
100 North Walnut Street, P.O. Box 171
Gnadenhutten, Ohio 44629

To the Board of Education:

Compliance

We have audited the compliance of Indian Valley Local School District, Tuscarawas County, Ohio, (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.

However, we noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 15, 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 management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

December 15, 1999

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

JUNE 30, 1989

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)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	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?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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INDIAN VALLEY LOCAL SCHOOL DISTRICT, TUSCARAWAS 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*
Clerk of the Bureau

Date: FEB 03 2000