



**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT
PAULDING COUNTY**

SINGLE AUDIT

FOR THE YEAR JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Paulding Exempted Village School District
Paulding County
405 Water Street
Paulding, Ohio 45879-1299

To the Board of Education:

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

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

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

As described in note 3 to the general-purpose financial statements, during fiscal year 1999 the District corrected certain classification errors.

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.

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

Jim Petro
Auditor of State

December 15, 1999

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,091,486	\$87,942	\$626,747
Receivables:			
Property and Other Local Taxes	3,041,015		117,337
Income Taxes	479,972		
Intergovernmental			
Accounts	8,208	824	
Due from Other Funds	40,490		
Loans			
Prepaid Items	30,156		
Inventory			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	42,248		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
Other Debits:			
Amount to be Provided from General Government Resources			
Total Assets and Other Debits	\$4,733,575	\$88,766	\$744,084
 LIABILITIES, FUND EQUITY AND OTHER CREDITS:			
Liabilities:			
Accrued Wages and Benefits	\$868,771	\$32,369	
Due to Other Governments	128,243	4,546	
Due to Other Funds			\$40,490
Due to Students			
Deferred Revenue	2,777,169		107,070
Compensated Absences Payable	97,609		
Total Liabilities	3,871,792	36,915	147,560
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings			
Fund Balance:			
Reserved for Encumbrances	98,957	3,722	178,592
Reserved for Property Taxes	263,846		10,267
Reserved for Budget Stabilization	42,248		
Reserved for Prepaid Items	30,156		
Reserved for Loans Receivable			
Unreserved, Undesignated	426,576	48,129	407,665
Total Fund Equity and Other Credits	861,783	51,851	596,524
Total Liabilities, Fund Equity and Other Credits	\$4,733,575	\$88,766	\$744,084

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$61,200	\$97,249			\$1,964,624
				3,158,352
				479,972
16,281				16,281
719				9,751
				40,490
	23,671			23,671
				30,156
38,566				38,566
				42,248
112,717		\$12,076,424		12,189,141
			\$977,904	977,904
\$229,483	\$120,920	\$12,076,424	\$977,904	\$18,971,156

\$28,467				\$929,607
40,584			\$45,149	218,522
				40,490
	\$63,054			63,054
				2,884,239
11,915			932,755	1,042,279
80,966	63,054		977,904	5,178,191
		\$12,076,424		12,076,424
290,425				290,425
(141,908)				(141,908)
				281,271
				274,113
				42,248
				30,156
	23,671			23,671
	34,195			916,565
148,517	57,866	12,076,424		13,792,965
\$229,483	\$120,920	\$12,076,424	\$977,904	\$18,971,156

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Property and Other Local Taxes	\$4,122,157	
Intergovernmental	7,040,307	\$426,803
Interest	138,565	
Food Services		15,577
Tuition and Fees	12,369	
Extracurricular Activities		115,717
Miscellaneous	22,640	8,000
	11,336,038	566,097
Expenditures:		
Current:		
Instruction:		
Regular	5,266,003	63,750
Special	895,112	202,860
Vocational	203,145	
Other	295,311	8,785
Support Services:		
Pupils	474,572	69,434
Instructional Staff	385,058	95,447
Board of Education	71,566	
Administration	974,855	63,658
Fiscal	293,099	
Business	64,690	
Operation and Maintenance of Plant	942,212	
Pupil Transportation	718,726	
Central Services		5,633
Non-Instructional Services	733	
Extracurricular Activities	259,481	96,704
Capital Outlay		
	10,844,563	606,271
Excess of Revenues Over/(Under) Expenditures	491,475	(40,174)
Other Financing Sources (Uses):		
Other Financing Sources	29,365	
Operating Transfers In		6,363
Operating Transfers Out	(548,075)	
	(518,710)	6,363
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(27,235)	(33,811)
Fund Balances at Beginning of Year	889,018	85,662
Fund Balances at End of Year	\$861,783	\$51,851

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$119,161		\$4,241,318
	195,798		7,662,908
		\$372	138,937
			15,577
			12,369
			115,717
			30,640
	314,959	372	12,217,466
			5,329,753
			1,097,972
	10,552		213,697
			304,096
			544,006
	133,994		614,499
			71,566
			1,038,513
	3,960		297,059
			64,690
			942,212
	13,250		731,976
			5,633
		2,728	3,461
			356,185
	952,554		952,554
	1,114,310	2,728	12,567,872
	(799,351)	(2,356)	(350,406)
			29,365
	531,897		538,260
(\$31,897)			(579,972)
(31,897)	531,897		(12,347)
(31,897)	(267,454)	(2,356)	(362,753)
31,897	863,978	60,222	1,930,777
	\$596,524	\$57,866	\$1,568,024

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

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Local Taxes	\$4,104,125	\$4,104,125	
Intergovernmental	7,040,308	7,040,308	
Earnings on Investments	138,566	138,566	
Food Services			
Tuition and Fees	12,369	12,369	
Extracurricular Activities			
Miscellaneous	22,639	22,639	
Total Revenues	11,318,007	11,318,007	
Expenditures:			
Current:			
Instruction:			
Regular	5,208,530	5,208,530	
Special	888,222	888,222	
Vocational	203,745	203,745	
Other	295,317	295,317	
Support Services:			
Pupils	481,808	481,808	
Instructional Staff	391,946	391,946	
Board of Education	86,951	86,951	
Administration	983,545	983,545	
Fiscal	294,891	294,891	
Business	65,790	65,790	
Operation and Maintenance of Plant	992,932	992,932	
Pupil Transportation	720,754	720,754	
Central Services			
Non-Instructional Services	736	736	
Extracurricular Activities	263,471	263,471	
Capital Outlay			
Total Expenditures	10,878,638	10,878,638	
Excess Revenues Over (Under) Expenditures	439,369	439,369	
Other Financing Sources (Uses):			
Advances In			
Advances Out	(40,490)	(40,490)	
Operating Transfers In			
Operating Transfers Out	(548,075)	(548,075)	
Other Financing Sources	29,365	29,365	
Total Other Financing Sources (Uses)	(559,200)	(559,200)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(119,831)	(119,831)	
Fund Balances at Beginning of Year	1,020,826	1,020,826	
Prior Year Encumbrances Appropriated	133,782	133,782	
Fund Balances at End of Year	\$1,034,777	\$1,034,777	

Governmental Fund Types

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$426,803	\$426,803				
15,576	15,576				
114,940	114,940				
8,000	8,000				
<u>565,319</u>	<u>565,319</u>				
64,655	64,655				
200,035	200,035				
8,774	8,774				
71,243	71,243				
93,235	93,235				
63,085	63,085				
5,619	5,619				
96,952	96,952				
<u>603,598</u>	<u>603,598</u>				
<u>(38,279)</u>	<u>(38,279)</u>				
6,363	6,363		(31,897)	(31,897)	
<u>6,363</u>	<u>6,363</u>		<u>(31,897)</u>	<u>(31,897)</u>	
(31,916)	(31,916)		(31,897)	(31,897)	
111,640	111,640		31,897	31,897	
4,495	4,495				
<u>\$84,219</u>	<u>\$84,219</u>				

(Continued)

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

	Governmental Fund Types		
	Capital Projects Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Property and Other Local Taxes	\$108,894	\$108,894	
Intergovernmental	195,798	195,798	
Earnings on Investments			
Food Services			
Tuition and Fees			
Extracurricular Activities			
Miscellaneous			
Total Revenues	304,692	304,692	
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational	21,104	21,104	
Other			
Support Services:			
Pupils			
Instructional Staff	138,572	138,572	
Board of Education			
Administration			
Fiscal	3,960	3,960	
Business			
Operation and Maintenance of Plant	13,250	13,250	
Pupil Transportation			
Central Services			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	1,116,015	1,116,015	
Total Expenditures	1,292,901	1,292,901	
Excess Revenues Over (Under) Expenditures	(988,209)	(988,209)	
Other Financing Sources (Uses):			
Advances In	40,490	40,490	
Advances Out			
Operating Transfers In	531,897	531,897	
Operating Transfers Out			
Other Financing Sources			
Total Other Financing Sources (Uses)	572,387	572,387	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(415,822)	(415,822)	
Fund Balances at Beginning of Year	(54,085)	(54,085)	
Prior Year Encumbrances Appropriated	918,063	918,063	
Fund Balances at End of Year	\$448,156	\$448,156	

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

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

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Food Service	\$408,525
Materials and Fees	64,023
	472,548
Operating Expenses:	
Salaries and Wages	158,204
Fringe Benefits	136,311
Purchased Services	34,132
Materials and Supplies	318,628
Depreciation	17,660
	664,935
Operating Loss	(192,387)
Non-Operating Revenues:	
Intergovernmental	142,559
Other Non-Operating	21,980
	164,539
Loss Before Operating Transfers	(27,848)
Operating Transfers-In	48,075
	20,227
Net Income	20,227
Retained Earnings at Beginning of Year	(162,135)
Retained Earnings at End of Year	(141,908)
Contributed Capital at Beginning of Year	270,041
Additions from Other Funds	20,384
	290,425
Contributed Capital at End of Year	290,425
Fund Equity at End of Year	\$148,517

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

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

	Proprietary Fund Type
	Enterprise
Cash Flows from Operating Activities:	
Operating Loss	(\$192,387)
Adjustment to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation	17,660
(Increase) Decrease in Assets:	
Materials and Supplies	(3,022)
Accounts Receivable	(518)
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	(10,308)
Compensated Absences Payable	11,915
Due to Other Governments	22,837
Total Adjustments	38,564
Net Cash Used for Operating Activities	(153,823)
Cash Flows from Noncapital Financing Activities:	
Operating Transfers In from Other Funds	48,075
Intergovernmental	148,257
Total Cash Flows from Noncapital Financing Activities	196,332
Net Decrease in Cash and Cash Equivalents	42,509
Cash and Cash Equivalents at Beginning of Year	18,691
Cash and Cash Equivalents at End of Year	\$61,200

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Paulding Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 80 non-certified and 143 certified full time teaching personnel who provide services to 1,927 students and other community members.

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

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

The following organizations are not part of the District entity and are excluded from the accompanying financial statements:

The School District is associated with organizations which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Joint Vocational School Paulding County School Council, Paulding County School Consortium Employee Insurance Benefits Program, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types

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

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

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

2. Proprietary Fund Types

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

2. Proprietary Fund Types (Continued)

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 is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Fiduciary Fund Types

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

4. Account Groups

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

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

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

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

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

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments.

The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

2. Estimated Resources

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

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

3. Appropriations (Continued)

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

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

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 \$138,565 which includes \$372 assigned from other School 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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of \$500 except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of 5 to 15 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Eisenhower Grant/Title II
- Title I
- Title VI
- Preschool
- Educational Management Information System
- Professional Development
- Disadvantaged Pupil Program
- Textbook and Instructional Materials Subsidy
- Title VI-B Flow Through
- Capital Projects Funds
- School Net Plus
- School Net Technology Grant
- Emergency Building Repair

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately \$7,476,275 of the School Districts's operating revenues during fiscal year 1999 for all governmental funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Assets/Liabilities

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, 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 expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources.

M. Interfund Transactions

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

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, loans receivable, prepaids, encumbrances and budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenue and expenditures.

O. Contributed Capital

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

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, 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.

P. Estimates

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

Q. Total Columns on General-Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Reclassification and Prior Period Restatements

In prior periods the Cooper Education Grant Fund has been classified as an Internal Service Fund. For fiscal year 1999, it has been appropriately classified as a Special Revenue Fund. Also, in prior years the District had not separately disclosed Contributed Capital on the financial statements and had improperly calculated depreciation expense in the Enterprise Funds. These changes had the following effect on fund equity and excess of revenues over (under expenditures/net income (loss) as previously reported:

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

A. Fund Reclassification and Prior Period Restatements (Continued)

	Special Revenue Funds	Enterprise Funds	Internal Service Funds
Excess of Revenues Over (Under) Expenditures/Net Income (Loss) as previously reported at June 30, 1998	\$12,420	(\$11,396)	\$334
Net change from fund reclassification	334		(334)
Net change from correction of depreciation as previously reported		3,088	
Adjusted Excess of Revenues Over (Under) Expenditures/Net Income	<u>\$12,754</u>	<u>(\$8,308)</u>	
Fund Equity as previously reported at June 30, 1998	\$84,508	\$104,818	\$1,154
Net change from fund reclassification	1,154		(1,154)
Net change from correction of depreciation as previously reported		3,088	
Restated Fund Equity at July 1, 1998	<u>\$85,662</u>	<u>\$107,906</u>	

The restatement for contributed capital resulted in an increase of contributed capital and a decrease of retained earnings in the Enterprise Funds of \$270,041.

B. Compliance

Although the District had no funds with deficit cash balances at year end there were several funds with deficit cash balances throughout the year.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for all governmental fund types:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$27,235)	(\$33,811)	(\$31,897)	(\$267,454)	(\$2,356)
Revenue adjustments	(18,031)	(778)		30,223	7,432
Expenditure adjustments	24,392	6,395			(1,000)
Reserve for encumbrances – budgetary basis	(98,957)	(3,722)		(178,591)	
Budgetary Basis	(\$119,831)	(\$31,916)	(\$31,897)	(\$415,822)	\$4,076

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

During fiscal year 1999, the School District's investments were limited to STAR Ohio.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$113,736 and the bank balance was \$571,515. \$148,038 of the bank balance was covered by federal depository insurance and \$423,477 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

Investments

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterpart's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAR Ohio, Unclassified	\$1,893,136	\$1,893,136

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$2,006,872	
Investments:		
STAR Ohio	(1,893,136)	\$1,893,136
GASB Statement 3	\$113,736	\$1,893,136

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

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied October 15 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied October 15 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied October 15 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed values upon which the fiscal year 1999 taxes are based as follows:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$77,971,360	73.13%	\$ 101,639,220	78.00%
Public Utility Personal	13,745,360	12.89%	13,736,150	10.00%
Tangible Personal Property	14,898,148	13.98%	15,444,064	12.00%
Total	<u><u>\$106,614,868</u></u>	<u><u>100.00%</u></u>	<u><u>\$130,819,434</u></u>	<u><u>100.00%</u></u>
 Tax rate per \$1,000 of assessed valuation	<u><u>\$27.70</u></u>		<u><u>\$27.70</u></u>	

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$274,113 and is recognized as revenue; \$263,846 was available in the General fund and \$10,267 in the Capital Projects fund.

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

NOTE 7 - INCOME TAX

The School District levies a voted tax of 1.0 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. In the fiscal year ended June 30, 1999, the district recorded income tax revenue of \$1,924,621 in the general fund, of which \$479,972 is recorded as a receivable at June 30, 1999.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (billings for user charges and student fees) income tax and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, stable condition of State programs, and the current year guarantee of federal funds.

NOTE 9 - LOANS RECEIVABLE

The Bauer Loan Fund was established in 1958 through a contribution from an estate. Qualified students may borrow up to \$4,000 to pay for the costs of higher education. Repayments begin 24 months after completion of a college program. After 6 years the principal begins accruing interest at a rate to be set by the district.

The Melrose Area Book Scholarship was established in 1992 through a contribution from an estate. Qualified students may borrow up to \$4,000 to pay for the costs of higher education. Repayments begin 24 months after completion of a college program. After 6 years the principal begins accruing interest at a rate to be set by the district.

At the close of fiscal year 1999, there were 9 students with a total principal balance of \$16,371 for the Bauer Loan Fund and 3 students with a total principal balance of \$7,300 for the Melrose Area Book Scholarship.

NOTE 10 - FIXED ASSETS

A summary of the changes in General Fixed Assets Account Group is as follows:

	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/99</u>
Land and Land Improvements	\$438,979	\$251,272		\$690,251
Buildings	7,751,367	844,286		8,595,653
Furniture, fixtures and equipment	2,758,826	173,946	(\$142,252)	2,790,520
Total	<u>\$10,949,172</u>	<u>\$1,269,504</u>	<u>(\$142,252)</u>	<u>\$12,076,424</u>

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

NOTE 10 - FIXED ASSETS (Continued)

A summary of changes in the Enterprise Fund fixed assets is as follows:

	Balance at 6/30/99
Furniture, fixtures and equipment	\$290,425
Less accumulated depreciation	(177,708)
Net Fixed Assets	\$112,717

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. For fiscal year 1999, the School District contracted with Nationwide Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. The School District is protected by a commercial umbrella policy with an aggregate coverage of \$10,000,000. Liability under this policy is in the amount of \$5,000,000 with \$2,000,000 for each occurrence and a \$5,000 deductible.

Vehicles are covered by Nationwide Insurance with no deductible for comprehensive and collision. Automobile liability has a \$5,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

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

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

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

NOTE 11 - RISK MANAGEMENT

C. Employee Medical Benefits

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$246,536, \$210,772 and \$180,723, respectively; 70 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$73,998 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$815,486, \$837,541 and \$748,601, respectively; 87.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$99,373 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, two of the five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

A. School Employees Retirement System

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

For fiscal years 1999 and 1998, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal years 1999 and 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$85,454 during the 1999 fiscal year.

B. State Teachers Retirement System

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. Through June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the School District, this amount equaled \$116,498 during fiscal 1999.

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

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical and Administrative employees with one or more years of service are entitled to vacation ranging from 5 to 30 days. Employees with less than one year of service earn a pro rata vacation rate per month worked. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, other than administrative personnel upon retirement is limited to 40 days, and 5% of any accumulated days above forty accumulated days of sick leave. The amount paid to administrative personnel upon retirement is limited to 50 days, and 19% of any accumulated days above 50 accumulated days of sick leave. If accumulated sick leave is less than the limited number of days, then only the amount earned will be paid.

At June 30, 1999 the current amount of unpaid compensated absences, in all funds except for the proprietary funds, and the balance of the liability in the General fund and the General Long-Term Obligation Account Group was \$97,609 and \$932,755 respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$11,915.

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

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

NOTE 15 - LONG-TERM OBLIGATIONS

During the year ended June 30, 1999, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at June 30, 1998	Additions	Reductions	Balance at June 30, 1999
Compensated absences payable	\$1,230,491		\$297,736	\$932,755
Due to other governments	50,535	45,149	50,535	45,149
Total	<u>\$1,281,026</u>	<u>\$45,149</u>	<u>\$348,271</u>	<u>\$977,904</u>

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise Funds which provide lunchroom/cafeteria, uniform school supply. Segment information for the year ended June 30, 1999 was as follows:

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$408,525	\$64,023	\$472,548
Depreciation Expense	17,660		17,660
Operating Loss	(183,141)	(9,246)	(192,387)
Operating Grants	164,539		164,539
Operating Transfers In	48,075		48,075
Contributed Capital	290,425		290,425
Net Income (Loss)	29,523	(9,246)	20,277
Property, Plant and Equipment Additions and Deletions	20,384		20,384
Net working capital	26,153	9,647	35,800
Total Assets	219,836	9,647	229,483
Total Equity (deficit)	138,870	9,647	148,517

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. The Northwest Ohio Area Computer Services Cooperative

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven (47) educational entities, primarily school districts located in the Ohio counties of Allen, Auglaize, Hancock, Mercer, Paulding, Putnam and Van Wert. The laws governing the Ohio Education Computer Network require that a board of education serve as fiscal agent for data acquisition sites receiving state funds, therefore, not all responsibilities of the fiscal agent can be undertaken by the council. Specifically, Revised Code § 3301-075 requires that the NOACSC conform to Revised Code § 3313.92 in order for the NOACSC to receive Ohio Education Computer Network funds from the State Department of education. Agreements entered into pursuant to Revised Code § 3313.92 must be approved by the State superintendent of public instruction, who has interpreted this revised code section to require a board of education to serve as fiscal agent for a data acquisition site receiving funds from the Ohio Education Computer Network, as opposed to have a council of governments serve as fiscal agent for the data acquisition site.

The general membership of the NOACSC consists of a superintendent or designated representative from each member school and a representative from the fiscal agent. NOACSC is governed by a Cooperative Governing Board chosen from the general membership. The Governing Board consists of two representatives from each county and one representative from the fiscal agent. The two representatives from each county are elected by a majority vote of all county member schools.

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 among member districts. The duties and obligations of the organization and members participating is set forth in a written agreement covering the program.

Each of the participating educational entities' support NOACSC based upon a per pupil charge dependent upon the software package(s) utilized. The degree of control exercised by any participating entity is limited to representation on the Governing Board. The District paid NOACSC \$7,706 for services provided during fiscal year 1999. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Vantage Joint Vocational School

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Julie Mohr, Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

C. Paulding County Schools Council

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

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

NOTE 18 - GROUP PURCHASING POOLS

A. Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan (GRP)

The School District participates in this plan, an insurance purchasing pool. The GRP's business and affairs are governed as described in Note 16. Each year, the participating school districts pay an enrollment fee to the plan to cover the costs of administering the plan. The administrator of the plan is Anthem Comp. Services, 31200 Pine Tree Road, Pepper Pike, Ohio 44124-5900.

B. The Paulding County School Council's Employee Insurance Benefits Program

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

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

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

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the 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 School District. During the fiscal years ended June 30, 1999, the School District received \$6,838,772 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of December 15, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

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

NOTE 20 - TRANSFERS

Transfers for the fiscal year ended June 30, 1999 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Special Revenue Fund	\$6,363	
Capital Projects Fund	531,897	
Debt Service Fund		\$31,897
Enterprise Fund	48,075	
Agency Fund		6,363
General Fund		548,075
Total transfers	<u>\$586,335</u>	<u>\$586,335</u>

NOTE 21- AGENCY FUNDS

<u>Combined Statement of Changes in Assets and Liabilities</u>				
	<u>Balance at July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 1999</u>
Cash	<u>\$69,721</u>	<u>\$109,811</u>	<u>\$116,478</u>	<u>\$63,054</u>
Other liabilities	<u>\$69,721</u>	<u>\$109,811</u>	<u>\$116,478</u>	<u>\$63,054</u>

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. The amount for fiscal year 1999 was 2% of previous year qualifying general fund revenue. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The School District is also required to set aside money for budget stabilization, which for fiscal year 1999 was 1% of previous year qualifying general fund revenue, if the growth in a school district's qualifying general fund revenue for fiscal year 1997 to fiscal year 1998 is 3% or more. The School District did not have a growth in qualifying revenue of 3% or more.

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

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

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance, June 30, 1998			\$42,248	\$42,248
Current Year Set-Aside Requirement	164,217	164,217		328,434
Current Year Offsets	(28,844)	(109,281)		(138,125)
Qualifying Disbursements	(236,992)	(165,654)		(402,646)
Total	<u>\$(101,619)</u>	<u>\$(110,718)</u>	<u>\$42,248</u>	<u>\$(170,089)</u>
Cash Balance Carried Forward to FY 1999			<u>\$42,248</u>	
Total Restricted Assets				<u>\$42,248</u>

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

NOTE 23 - OUTSTANDING CONTRACTUAL COMMITMENTS

As of June 30, 1999, the District had one contract which was for window replacement at Paulding Elementary. This commitment was encumbered as of June 30, 1999 in the amount of \$148,461 in the Capital Projects fund.

NOTE 24 - YEAR 2000 ISSUE

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

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

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

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

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
Nutrition Cluster:		
Food Distribution Program	-	10.550
National School Lunch Program	-	10.555
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	45575-C1-S1-98	84.010
	45575-C1-S1-99	84.010
Total Title I Grants		
Eisenhower Professional Development State Grants	45575-MS-S1-97	84.281
	45575-MS-S1-98	84.281
	45575-MS-S1-99	84.281
	45575-MS-S4-99	84.281
Total Eisenhower Professional Development Grant		
Goals 2000-State and Local Education Systemic Improvement	45575-G2-A2-00	84.276
Special Education-Grants to States	45575-6B-SF 98	84.027
	45575-6B-SF 99	84.027
Total Special Education Grant		
Innovative Educational Program Strategies	45575-C2-S1-98	84.298
	45575-C2-S1-99	84.298
Total Innovative Education Program		
Special Education-Preschool Grants	45575-PG-S1 98	84.173
	45575-PG-S1 99	84.173
Total Special Education Preschool Grants		
Total Department of Education		
Totals		

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$48,820		\$52,564
<u>\$90,916</u>		<u>\$90,916</u>	
90,916	48,820	90,916	52,564
19,517		75,475	
<u>165,279</u>		<u>129,926</u>	
184,796		205,401	
		3,127	
		5,951	
8,635		2,085	
<u>1,000</u>		<u>1,000</u>	
9,635		12,163	
548		548	
7,015		23,360	
<u>114,307</u>		<u>106,604</u>	
121,322		129,964	
		1,826	
<u>7,733</u>		<u>6,947</u>	
7,733		8,773	
		8,105	
<u>30,212</u>		<u>25,246</u>	
30,212		33,351	
354,246		390,200	
<u>\$445,162</u>	<u>\$48,820</u>	<u>\$481,116</u>	<u>\$52,564</u>

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

Paulding Exempted Village School District
Paulding County
405 Water Street
Paulding, Ohio 45879-1299

To the Board of Education:

We have audited the accompanying financial statements of the Paulding Exempted Village School District, Paulding County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 15, 1999, in which we disclosed that the District corrected certain classification errors. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10263-001. We also noted certain immaterial instances of noncompliance that we have reported to 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 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.

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

This report is intended for the information and use of management, the Board of Education and federal award 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



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

Paulding Exempted Village School District
Paulding County
405 Water Street
Paulding, Ohio 45879-1299

To the Board of Education:

Compliance

We have audited the compliance of the Paulding Exempted Village School District, Paulding County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. The District's major federal programs are 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 programs is the responsibility of 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 programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 15, 1999.

This report is intended for the information and use of management, the Board of Education and federal award 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, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 1999-10263-001

Noncompliance Citation

Ohio Revised Code § 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established.

**FINDING NUMBER 1999-10263-001
 (Continued)**

The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance. Although there were no funds with deficit balances as of June 30, 1999, the following funds were found to have deficit balances sometime through the 99 fiscal year by a maximum of amounts listed:

Fund	Maximum deficit at anytime throughout the year
Permanent Improvement Fund	\$ 7,777
Food Service Fund	52,382
Uniform School Supply Fund	5,065
Middle School Principals Fund	1,156
High School Science Student Activity Fund	247
Athletic Fund	4,834
Professional Development Block Grant Fund	2,000
Management Information System Fund	1,128
Emergency Building Repair Fund	6,894
Title VI-B Fund	24,716
Title I Fund	22,872
Title VI Fund	150
Preschool Fund	7,539

It is recommended that the District monitor expenditures and fund balances and make advances and transfers as needed or reduce expenditures to avoid deficit balances.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 11, 2000**