

**BLACK RIVER LOCAL  
SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2000***

**JOHN L. WHEADON, TREASURER**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Education  
Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

We have reviewed the independent auditor's report of the Black River Local School District, Medina County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Black River Local School District is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

December 20, 2000

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

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## Independent Auditor's Report

Board of Education  
Black River Local School District  
257 County Road 40  
Sullivan, Ohio 44880

We have audited the accompanying general purpose financial statements of the Black River Local School District, Medina County, (the "District") as of and for the year ended June 30, 2000, 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 general purpose 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 the 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 Black River Local School District, Medina County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 expenditures of federal awards 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.

Trimble, Julian & Grube, Inc.  
November 9, 2000

**BLACK RIVER LOCAL SCHOOL DISTRICT**  
**MEDINA COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2000

|                                                                                            | Governmental Fund Types |                  |                    | Proprietary Fund Type | Fiduciary Fund Types | Account Groups      |                    | Total (Memorandum Only) |
|--------------------------------------------------------------------------------------------|-------------------------|------------------|--------------------|-----------------------|----------------------|---------------------|--------------------|-------------------------|
|                                                                                            | General                 | Special Revenue  | Debt Service       |                       |                      | Capital Projects    | Enterprise         |                         |
| <b>ASSETS AND OTHER DEBITS</b>                                                             |                         |                  |                    |                       |                      |                     |                    |                         |
| <b>ASSETS:</b>                                                                             |                         |                  |                    |                       |                      |                     |                    |                         |
| Equity in pooled cash and cash equivalents . . . . .                                       | \$3,008,037             | \$206,524        | \$1,052,256        | \$9,817               | \$32,326             |                     |                    | \$4,326,045             |
| Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .            |                         |                  |                    |                       | 24,638               |                     |                    | 24,638                  |
| Receivables (net of allowances of uncollectibles):                                         |                         |                  |                    |                       |                      |                     |                    |                         |
| Property taxes - current and delinquent . . . . .                                          | 3,434,305               |                  | 1,001,231          | 777                   |                      |                     |                    | 4,435,536               |
| Accounts . . . . .                                                                         | 49,692                  | 1,316            |                    |                       | 4                    |                     |                    | 51,785                  |
| Accrued interest . . . . .                                                                 |                         |                  |                    |                       |                      |                     |                    | 4                       |
| Interfund loan receivable . . . . .                                                        | 15,146                  |                  |                    |                       |                      |                     |                    | 15,146                  |
| Due from other governments . . . . .                                                       | 500                     |                  |                    |                       |                      |                     |                    | 500                     |
| Prepayments . . . . .                                                                      | 14,796                  |                  |                    |                       |                      |                     |                    | 14,796                  |
| Materials and supplies inventory . . . . .                                                 |                         |                  |                    | 6,344                 |                      |                     |                    | 6,344                   |
| Restricted assets:                                                                         |                         |                  |                    |                       |                      |                     |                    |                         |
| Equity in pooled cash and cash equivalents . . . . .                                       | 151,777                 |                  |                    |                       |                      |                     |                    | 151,777                 |
| Property, plant and equipment (net of accumulated depreciation where applicable) . . . . . |                         |                  |                    | 178,157               |                      | \$15,910,838        |                    | 16,088,995              |
| <b>OTHER DEBITS:</b>                                                                       |                         |                  |                    |                       |                      |                     |                    |                         |
| Amount available in Debt Service Fund . . . . .                                            |                         |                  |                    |                       |                      |                     | \$1,170,017        | 1,170,017               |
| Amount to be provided for retirement of general long-term obligations . . . . .            |                         |                  |                    |                       |                      |                     | 6,494,963          | 6,494,963               |
| <b>Total assets and other debits . . . . .</b>                                             | <b>\$6,674,253</b>      | <b>\$207,840</b> | <b>\$2,053,487</b> | <b>\$195,095</b>      | <b>\$56,968</b>      | <b>\$15,910,838</b> | <b>\$7,664,980</b> | <b>\$32,780,546</b>     |

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

**BLACK RIVER LOCAL SCHOOL DISTRICT**  
**MEDINA COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2000

|                                                                  | Governmental Fund Types |                  |                    | Proprietary Fund Type |                  | Fiduciary Account Groups |                     |                       | Total (Memorandum Only) |
|------------------------------------------------------------------|-------------------------|------------------|--------------------|-----------------------|------------------|--------------------------|---------------------|-----------------------|-------------------------|
|                                                                  | General                 | Special Revenue  | Debt Service       | Capital Projects      | Fund Types       |                          | General             | Long-Term Obligations |                         |
|                                                                  |                         |                  |                    |                       | Trust and Agency | Enterprise               |                     |                       |                         |
| <b>LIABILITIES, EQUITY AND OTHER CREDITS</b>                     |                         |                  |                    |                       |                  |                          |                     |                       |                         |
| <b>LIABILITIES:</b>                                              |                         |                  |                    |                       |                  |                          |                     |                       |                         |
| Accounts payable . . . . .                                       | \$61,939                | \$1,071          |                    |                       | \$491            |                          |                     |                       | \$63,501                |
| Accrued wages and benefits. . . . .                              | 697,215                 | 56,303           |                    |                       | 18,784           |                          |                     |                       | 772,302                 |
| Compensated absences payable. . . . .                            | 45,077                  |                  |                    |                       | 4,811            |                          | \$401,102           |                       | 450,990                 |
| Pension obligation payable . . . . .                             | 110,658                 | 7,186            |                    |                       | 11,288           |                          | 62,509              |                       | 191,641                 |
| Interfund loan payable . . . . .                                 |                         | 9,811            |                    |                       | 5,335            |                          |                     |                       | 15,146                  |
| Deferred revenue . . . . .                                       | 3,072,841               |                  | \$883,470          |                       | 1,680            |                          |                     |                       | 3,957,991               |
| Due to students . . . . .                                        |                         |                  |                    |                       |                  |                          |                     |                       | 31,089                  |
| General obligation bonds payable . . . . .                       |                         |                  |                    |                       |                  |                          |                     | 7,186,369             | 7,186,369               |
| Energy conservation notes payable. . . . .                       |                         |                  |                    |                       |                  |                          | 15,000              |                       | 15,000                  |
| <b>Total liabilities . . . . .</b>                               | <b>3,987,730</b>        | <b>74,371</b>    | <b>883,470</b>     | <b>-</b>              | <b>42,389</b>    | <b>31,089</b>            | <b>7,664,980</b>    | <b>-</b>              | <b>12,684,029</b>       |
| <b>EQUITY AND OTHER CREDITS:</b>                                 |                         |                  |                    |                       |                  |                          |                     |                       |                         |
| Investment in general fixed assets . . . . .                     |                         |                  |                    |                       |                  |                          |                     | \$15,910,838          | 15,910,838              |
| Contributed capital. . . . .                                     |                         |                  |                    |                       |                  | 169,500                  |                     |                       | 169,500                 |
| Accumulated deficit . . . . .                                    |                         |                  |                    |                       |                  | (16,794)                 |                     |                       | (16,794)                |
| <b>Fund balances:</b>                                            |                         |                  |                    |                       |                  |                          |                     |                       |                         |
| Reserved for encumbrances . . . . .                              | 662,217                 | 16,572           |                    | \$7,128               |                  |                          |                     |                       | 685,917                 |
| Reserved for prepayments . . . . .                               | 14,796                  |                  |                    |                       |                  |                          |                     |                       | 14,796                  |
| Reserved for debt service . . . . .                              |                         |                  | 1,052,256          |                       |                  |                          |                     |                       | 1,052,256               |
| Reserved for tax revenue unavailable for appropriation . . . . . | 361,464                 |                  | 117,761            |                       |                  |                          |                     |                       | 479,225                 |
| Reserved for principal endowment. . . . .                        |                         |                  |                    |                       |                  | 22,327                   |                     |                       | 22,327                  |
| Reserved for budget stabilization. . . . .                       | 151,777                 |                  |                    |                       |                  |                          |                     |                       | 151,777                 |
| Designated for budget stabilization . . . . .                    | 211,922                 |                  |                    |                       |                  |                          |                     |                       | 211,922                 |
| Reserved for scholarships . . . . .                              |                         |                  |                    |                       |                  | 2,311                    |                     |                       | 2,311                   |
| Unreserved-undesignated. . . . .                                 | 1,284,347               | 116,897          |                    | 9,957                 |                  | 1,241                    |                     |                       | 1,412,442               |
| <b>Total equity and other credits. . . . .</b>                   | <b>2,686,523</b>        | <b>133,469</b>   | <b>1,170,017</b>   | <b>17,085</b>         | <b>152,706</b>   | <b>25,879</b>            | <b>15,910,838</b>   | <b>-</b>              | <b>20,096,517</b>       |
| <b>Total liabilities, equity and other credits. . . . .</b>      | <b>\$6,674,253</b>      | <b>\$207,840</b> | <b>\$2,053,487</b> | <b>\$17,085</b>       | <b>\$195,095</b> | <b>\$56,968</b>          | <b>\$15,910,838</b> | <b>\$7,664,980</b>    | <b>\$32,780,546</b>     |

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

**BLACK RIVER LOCAL SCHOOL DISTRICT**  
**MEDINA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

|                                                                       | Governmental Fund Types |                    |                    |                     | Fiduciary<br>Fund Type | Total<br>(Memorandum<br>Only) |
|-----------------------------------------------------------------------|-------------------------|--------------------|--------------------|---------------------|------------------------|-------------------------------|
|                                                                       | General                 | Special<br>Revenue | Debt<br>Service    | Capital<br>Projects | Expendable<br>Trust    |                               |
| <b>Revenues:</b>                                                      |                         |                    |                    |                     |                        |                               |
| From local sources:                                                   |                         |                    |                    |                     |                        |                               |
| Taxes . . . . .                                                       | \$2,973,282             |                    | \$835,771          |                     |                        | \$3,809,053                   |
| Tuition . . . . .                                                     | 38,465                  | \$100              |                    |                     |                        | 38,565                        |
| Earnings on investments. . . . .                                      | 182,992                 |                    | 50,476             | \$1,380             | \$21                   | 234,869                       |
| Other local revenues. . . . .                                         | 204,927                 | 219,459            |                    |                     | 977                    | 425,363                       |
| Other revenue . . . . .                                               |                         | 26,650             |                    |                     |                        | 26,650                        |
| Intergovernmental - State. . . . .                                    | 5,072,838               | 57,582             | 95,193             |                     |                        | 5,225,613                     |
| Intergovernmental - Federal . . . . .                                 |                         | 583,319            |                    |                     |                        | 583,319                       |
| <b>Total revenues . . . . .</b>                                       | <b>8,472,504</b>        | <b>887,110</b>     | <b>981,440</b>     | <b>1,380</b>        | <b>998</b>             | <b>10,343,432</b>             |
| <b>Expenditures:</b>                                                  |                         |                    |                    |                     |                        |                               |
| Current:                                                              |                         |                    |                    |                     |                        |                               |
| Instruction:                                                          |                         |                    |                    |                     |                        |                               |
| Regular. . . . .                                                      | 3,709,430               | 106,056            |                    | 12,068              |                        | 3,827,554                     |
| Special . . . . .                                                     | 528,751                 | 452,260            |                    |                     |                        | 981,011                       |
| Vocational . . . . .                                                  | 46,335                  |                    |                    |                     |                        | 46,335                        |
| Support services:                                                     |                         |                    |                    |                     |                        |                               |
| Pupil . . . . .                                                       | 252,761                 | 85,474             |                    |                     |                        | 338,235                       |
| Instructional staff. . . . .                                          | 258,393                 |                    |                    |                     |                        | 258,393                       |
| Board of Education. . . . .                                           | 22,746                  |                    |                    |                     |                        | 22,746                        |
| Administration . . . . .                                              | 571,043                 | 2,231              |                    |                     |                        | 573,274                       |
| Fiscal . . . . .                                                      | 270,891                 | 1,500              | 12,559             |                     |                        | 284,950                       |
| Business . . . . .                                                    | 1,910                   | 1,317              |                    | 1,051               |                        | 4,278                         |
| Operations and maintenance. . . . .                                   | 592,681                 |                    |                    | 13,920              |                        | 606,601                       |
| Pupil transportation. . . . .                                         | 867,778                 | 480                |                    |                     |                        | 868,258                       |
| Central . . . . .                                                     |                         | 6,877              |                    |                     |                        | 6,877                         |
| Community services. . . . .                                           | 68,602                  | 98                 |                    |                     | 700                    | 69,400                        |
| Extracurricular activities . . . . .                                  | 156,681                 | 197,426            |                    |                     |                        | 354,107                       |
| Facilities services . . . . .                                         | 289,277                 |                    |                    | 22,037              |                        | 311,314                       |
| Debt service:                                                         |                         |                    |                    |                     |                        |                               |
| Principal retirement . . . . .                                        |                         |                    | 285,000            |                     |                        | 285,000                       |
| Interest and fiscal charges. . . . .                                  |                         |                    | 378,390            |                     |                        | 378,390                       |
| <b>Total expenditures . . . . .</b>                                   | <b>7,637,279</b>        | <b>853,719</b>     | <b>675,949</b>     | <b>49,076</b>       | <b>700</b>             | <b>9,216,723</b>              |
| Excess (deficiency) of revenues<br>over (under) expenditures. . . . . | 835,225                 | 33,391             | 305,491            | (47,696)            | 298                    | 1,126,709                     |
| Fund balances, July 1. . . . .                                        | 1,851,298               | 100,078            | 864,526            | 64,781              | 943                    | 2,881,626                     |
| Fund balances, June 30. . . . .                                       | <u>\$2,686,523</u>      | <u>\$133,469</u>   | <u>\$1,170,017</u> | <u>\$17,085</u>     | <u>\$1,241</u>         | <u>\$4,008,335</u>            |

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

**BLACK RIVER LOCAL SCHOOL DISTRICT**  
**MEDINA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

|                                                                                                                       | General        |             |                                   | Special Revenue |           |                                   | Debt Service   |             |                                   | Capital Projects |           |                                   | Total (Memorandum only) |             |                                   |
|-----------------------------------------------------------------------------------------------------------------------|----------------|-------------|-----------------------------------|-----------------|-----------|-----------------------------------|----------------|-------------|-----------------------------------|------------------|-----------|-----------------------------------|-------------------------|-------------|-----------------------------------|
|                                                                                                                       | Revised Budget | Actual      | Variance: Favorable (Unfavorable) | Revised Budget  | Actual    | Variance: Favorable (Unfavorable) | Revised Budget | Actual      | Variance: Favorable (Unfavorable) | Revised Budget   | Actual    | Variance: Favorable (Unfavorable) | Revised Budget          | Actual      | Variance: Favorable (Unfavorable) |
| <b>Revenues:</b>                                                                                                      |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| From local sources:                                                                                                   |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Taxes.....                                                                                                            | \$2,960,646    | \$2,960,646 | \$0                               | \$100           | \$100     | \$0                               | \$702,679      | \$849,952   | \$147,273                         |                  |           |                                   | \$3,663,325             | \$3,810,598 | \$147,273                         |
| Tuition.....                                                                                                          | 31,505         | 31,505      | 0                                 |                 |           |                                   |                | 50,476      | 0                                 |                  |           |                                   | 31,605                  | 31,605      | 0                                 |
| Earnings on investments.....                                                                                          | 110,681        | 182,992     | 72,311                            |                 |           |                                   |                |             |                                   |                  |           |                                   | 162,499                 | 234,848     | 72,349                            |
| Other local revenues.....                                                                                             | 165,412        | 165,412     | 0                                 |                 |           |                                   |                | 218,143     | 49,623                            |                  |           |                                   | 333,932                 | 383,555     | 49,623                            |
| Other revenue.....                                                                                                    |                |             |                                   |                 |           |                                   |                | 26,650      | 0                                 |                  |           |                                   | 26,650                  | 26,650      | 0                                 |
| Intergovernmental - State.....                                                                                        | 5,072,338      | 5,072,338   | 0                                 |                 |           |                                   |                | 95,193      | 0                                 |                  |           |                                   | 5,321,423               | 5,325,442   | 4,019                             |
| Intergovernmental - Federal.....                                                                                      |                |             |                                   |                 |           |                                   |                | 584,540     | 0                                 |                  |           |                                   | 584,540                 | 584,540     | 0                                 |
| Total revenues.....                                                                                                   | 8,340,582      | 8,412,893   | 72,311                            | 833,373         | 887,015   | 53,642                            | 848,348        | 995,621     | 147,273                           | 101,671          | 101,709   | 38                                | 10,123,974              | 10,397,238  | 273,264                           |
| <b>Expenditures:</b>                                                                                                  |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Current:                                                                                                              |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Instruction:                                                                                                          |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Regular.....                                                                                                          | 3,815,810      | 3,730,473   | 85,337                            | 118,391         | 102,460   | 15,931                            |                |             |                                   |                  |           |                                   | 3,995,766               | 3,884,579   | 111,187                           |
| Special.....                                                                                                          | 610,679        | 528,721     | 81,958                            | 537,524         | 460,504   | 77,020                            |                |             |                                   |                  |           |                                   | 1,148,203               | 989,225     | 158,978                           |
| Vocational.....                                                                                                       | 64,012         | 46,687      | 17,325                            |                 |           |                                   |                |             |                                   |                  |           |                                   | 64,012                  | 46,687      | 17,325                            |
| Support services:                                                                                                     |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Pupil.....                                                                                                            | 309,406        | 251,570     | 57,836                            | 92,680          | 87,025    | 5,655                             |                |             |                                   |                  |           |                                   | 402,086                 | 338,595     | 63,491                            |
| Instructional staff.....                                                                                              | 270,635        | 262,008     | 8,627                             |                 |           |                                   |                |             |                                   |                  |           |                                   | 270,635                 | 262,008     | 8,627                             |
| Board of Education.....                                                                                               | 37,538         | 26,999      | 10,539                            |                 |           |                                   |                |             |                                   |                  |           |                                   | 37,538                  | 26,999      | 10,539                            |
| Administration.....                                                                                                   | 598,908        | 569,346     | 29,562                            | 2,448           | 2,448     | 0                                 |                |             |                                   |                  |           |                                   | 601,356                 | 571,794     | 29,562                            |
| Fiscal.....                                                                                                           | 311,109        | 280,214     | 30,895                            | 1,500           | 1,500     | 0                                 | 20,000         | 12,559      | 7,441                             |                  |           |                                   | 332,609                 | 294,273     | 38,336                            |
| Business.....                                                                                                         | 8,010          | 8,010       | 0                                 | 1,880           | 1,317     | 563                               |                |             |                                   |                  |           |                                   | 10,941                  | 10,378      | 563                               |
| Operations and maintenance.....                                                                                       | 617,640        | 615,900     | 1,740                             |                 |           |                                   |                |             |                                   |                  |           |                                   | 631,560                 | 629,820     | 1,740                             |
| Pupil transportation.....                                                                                             | 1,057,323      | 934,570     | 122,753                           | 523             | 480       | 43                                |                |             |                                   |                  |           |                                   | 1,057,846               | 935,050     | 122,796                           |
| Central.....                                                                                                          | 263,878        | 263,878     | 0                                 | 19,790          | 6,877     | 12,913                            |                |             |                                   |                  |           |                                   | 283,668                 | 6,877       | 276,791                           |
| Community services.....                                                                                               | 77,006         | 69,019      | 7,987                             | 3,098           | 3,098     | 0                                 |                |             |                                   |                  |           |                                   | 80,104                  | 72,117      | 7,987                             |
| Extracurricular activities.....                                                                                       | 154,122        | 153,661     | 461                               | 212,516         | 212,516   | 0                                 |                |             |                                   |                  |           |                                   | 366,638                 | 366,177     | 461                               |
| Facilities services.....                                                                                              | 843,511        | 843,511     | 0                                 |                 |           |                                   |                |             |                                   |                  |           |                                   | 896,676                 | 896,676     | 0                                 |
| Debt service:                                                                                                         |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Principal retirement.....                                                                                             |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Interest and fiscal charges.....                                                                                      |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Total expenditures.....                                                                                               | 9,039,587      | 8,320,689   | 718,898                           | 990,350         | 878,225   | 112,125                           | 683,390        | 675,949     | 7,441                             | 129,701          | 119,782   | 9,919                             | 10,843,028              | 9,994,645   | 848,383                           |
| Excess (deficiency) of revenues over (under) expenditures.....                                                        | (699,005)      | 92,204      | 791,209                           | (156,977)       | 8,790     | 165,767                           | 164,958        | 319,672     | 154,714                           | (28,030)         | (18,073)  | 9,957                             | (719,054)               | 402,593     | 1,121,647                         |
| Other financing sources (uses):                                                                                       |                |             |                                   |                 |           |                                   |                |             |                                   |                  |           |                                   |                         |             |                                   |
| Operating transfers in.....                                                                                           | 96,576         | 96,576      | 0                                 |                 |           |                                   |                |             |                                   |                  |           |                                   | 96,576                  | 96,576      | 0                                 |
| Operating transfers (out).....                                                                                        | (96,576)       | (96,576)    | 0                                 |                 |           |                                   |                |             |                                   |                  |           |                                   | (96,576)                | (96,576)    | 0                                 |
| Advances in.....                                                                                                      | 101,549        | 101,549     | 0                                 | 9,811           | 9,811     | 0                                 |                |             |                                   |                  |           |                                   | 111,360                 | 111,360     | 0                                 |
| Advances (out).....                                                                                                   | (15,146)       | (15,146)    | 0                                 | (1,220)         | (1,220)   | 0                                 |                |             |                                   | (100,329)        | (100,329) | 0                                 | (116,695)               | (116,695)   | 0                                 |
| Total other financing sources (uses).....                                                                             | 86,403         | 86,403      | 0                                 | 8,591           | 8,591     | 0                                 | -              | -           | -                                 | (100,329)        | (100,329) | 0                                 | (5,335)                 | (5,335)     | 0                                 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)..... | (612,602)      | 178,607     | 791,209                           | (148,386)       | 17,381    | 165,767                           | 164,958        | 319,672     | 154,714                           | (128,359)        | (118,402) | 9,957                             | (724,389)               | 397,258     | 1,121,647                         |
| Fund balances, July 1.....                                                                                            | 2,054,714      | 2,054,714   | 0                                 | 155,853         | 155,853   | 0                                 | 732,584        | 732,584     | 0                                 | 34,171           | 34,171    | 0                                 | 2,977,322               | 2,977,322   | 0                                 |
| Prior year encumbrances appropriated.....                                                                             | 202,337        | 202,337     | 0                                 | 15,647          | 15,647    | 0                                 |                |             |                                   | 94,188           | 94,188    | 0                                 | 312,172                 | 312,172     | 0                                 |
| Fund balances, June 30.....                                                                                           | \$1,644,449    | \$2,435,658 | \$791,209                         | \$23,114        | \$188,881 | \$165,767                         | \$897,542      | \$1,052,256 | \$154,714                         | \$0              | \$9,957   | \$9,957                           | \$2,565,105             | \$3,686,752 | \$1,121,647                       |

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

**BLACK RIVER LOCAL SCHOOL DISTRICT**  
**MEDINA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN (ACCUMULATED DEFICIT)/FUND BALANCE  
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

|                                                | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Total<br>(Memorandum<br>Only) |
|------------------------------------------------|--------------------------|------------------------|-------------------------------|
|                                                | Enterprise               | Nonexpendable<br>Trust |                               |
| Operating revenues:                            |                          |                        |                               |
| Tuition and fees. . . . .                      | \$30,547                 |                        | \$30,547                      |
| Sales/charges for services. . . . .            | 215,570                  |                        | 215,570                       |
| Investment earnings. . . . .                   |                          | \$1,223                | 1,223                         |
|                                                | <u>246,117</u>           | <u>1,223</u>           | <u>247,340</u>                |
| Total operating revenues. . . . .              |                          |                        |                               |
| Operating expenses:                            |                          |                        |                               |
| Personal services . . . . .                    | 135,553                  |                        | 135,553                       |
| Contract services . . . . .                    | 3,650                    |                        | 3,650                         |
| Materials and supplies. . . . .                | 222,581                  |                        | 222,581                       |
| Depreciation. . . . .                          | 1,016                    |                        | 1,016                         |
| Other. . . . .                                 | 1,825                    | 1,223                  | 3,048                         |
|                                                | <u>364,625</u>           | <u>1,223</u>           | <u>365,848</u>                |
| Total operating expenses . . . . .             |                          |                        |                               |
| Operating loss. . . . .                        | (118,508)                | -                      | (118,508)                     |
| Nonoperating revenues:                         |                          |                        |                               |
| Operating grants . . . . .                     | 88,842                   |                        | 88,842                        |
| Interest . . . . .                             | 216                      |                        | 216                           |
| Federal commodities . . . . .                  | 22,015                   |                        | 22,015                        |
|                                                | <u>111,073</u>           | <u>-</u>               | <u>111,073</u>                |
| Total nonoperating revenues. . . . .           |                          |                        |                               |
| Net loss. . . . .                              | (7,435)                  | -                      | (7,435)                       |
| (Accumulated deficit)/fund balance July 1. . . | (9,359)                  | 24,638                 | 15,279                        |
| (Accumulated deficit)/fund balance June 30. .  | <u>(\$16,794)</u>        | <u>\$24,638</u>        | <u>\$7,844</u>                |

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

**BLACK RIVER LOCAL SCHOOL DISTRICT**  
**MEDINA COUNTY, OHIO**  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

|                                                                                   | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Total<br>(Memorandum<br>Only) |
|-----------------------------------------------------------------------------------|--------------------------|------------------------|-------------------------------|
|                                                                                   | Enterprise               | Nonexpendable<br>Trust |                               |
| Cash flows from operating activities:                                             |                          |                        |                               |
| Cash received from tuition and fees . . . . .                                     | \$30,361                 |                        | \$30,361                      |
| Cash received from sales/service charges . . . . .                                | 215,522                  |                        | 215,522                       |
| Cash payments for personal services. . . . .                                      | (141,191)                |                        | (141,191)                     |
| Cash payments for contract services . . . . .                                     | (3,611)                  |                        | (3,611)                       |
| Cash payments supplies and materials . . . . .                                    | (202,119)                |                        | (202,119)                     |
| Cash payments for other expenses . . . . .                                        | (1,825)                  | (\$1,223)              | (3,048)                       |
| Net cash used in operating activities. . . . .                                    | (102,863)                | (1,223)                | (104,086)                     |
| Cash flows from noncapital financing activities:                                  |                          |                        |                               |
| Cash received from operating grants. . . . .                                      | 88,842                   |                        | 88,842                        |
| Cash received from interfund loans . . . . .                                      | 5,335                    |                        | 5,335                         |
| Net cash provided by noncapital financing activities. . . . .                     | 94,177                   | -                      | 94,177                        |
| Cash flows from investing activities:                                             |                          |                        |                               |
| Interest received . . . . .                                                       | 216                      | 1,223                  | 1,439                         |
| Net cash provided by investing activities. . . . .                                | 216                      | 1,223                  | 1,439                         |
| Net decrease in cash and cash equivalents. . . . .                                | (8,470)                  | -                      | (8,470)                       |
| Cash and cash equivalents at beginning of year . . . . .                          | 18,287                   | 24,638                 | 42,925                        |
| Cash and cash equivalents at end of year . . . . .                                | <u>\$9,817</u>           | <u>\$24,638</u>        | <u>\$34,455</u>               |
| Reconciliation of operating loss to net cash used in operating activities:        |                          |                        |                               |
| Operating loss. . . . .                                                           | (\$118,508)              | \$0                    | (\$118,508)                   |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                          |                        |                               |
| Depreciation. . . . .                                                             | 1,016                    |                        | 1,016                         |
| Interest recorded as operating revenue . . . . .                                  |                          | (1,223)                | (1,223)                       |
| Federal donated commodities. . . . .                                              | 22,015                   |                        | 22,015                        |
| Changes in assets and liabilities:                                                |                          |                        |                               |
| Increase in materials and supplies inventory . . . . .                            | (272)                    |                        | (272)                         |
| Increase in accounts receivable . . . . .                                         | (234)                    |                        | (234)                         |
| Decrease in accounts payable . . . . .                                            | (427)                    |                        | (427)                         |
| Decrease in accrued wages & benefits. . . . .                                     | (4,240)                  |                        | (4,240)                       |
| Decrease in compensated absences payable . . . . .                                | (5)                      |                        | (5)                           |
| Decrease in pension obligation payable. . . . .                                   | (1,393)                  |                        | (1,393)                       |
| Decrease in deferred revenue . . . . .                                            | (815)                    |                        | (815)                         |
| Net cash used in operating activities. . . . .                                    | <u>(\$102,863)</u>       | <u>(\$1,223)</u>       | <u>(\$104,086)</u>            |

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

The Black River Local School District (the "District") is located in portions of Medina County, Ashland County and Lorain County in Northeast Ohio. The District includes all of the villages of Sullivan, Spencer, Homerville and portions of surrounding townships, covering approximately 125 square miles.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 1 comprehensive school serving grades K - 8 and 1 high school. The District employs 58 non-certified and 99 (including administrative) full-time and part-time employees to provide services to approximately 1,520 students in grades K through 12 and various community groups, which ranks it 354th out of approximately 660 public and community school districts in Ohio.

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

*Jointly Governed Organization:*

Medina County Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Joint Venture without Equity Interest:*

Lake Erie Educational Computer Association (LEECA)

LEECA is a joint venture among 30 school districts. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these school districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. LEECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in LEECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest.

The District is also a participant in two insurance group purchasing pools, discussed in Note 10.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**GOVERNMENTAL FUNDS**

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

*General Fund* - The General Fund is the general operating fund of the 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 District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

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

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

**PROPRIETARY FUNDS**

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Enterprise Funds* - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has 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.

**FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; Agency Funds are therefore presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

**ACCOUNT GROUPS**

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

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary funds and Nonexpendable Trust fund.

*General Long-Term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary funds and Nonexpendable Trust fund.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

All Proprietary funds and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

**D. Budgets**

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. The specific timetable for fiscal year 2000 is as follows:

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Medina County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

|                        | <u>Increase</u>  |
|------------------------|------------------|
| General Fund           | \$480,734        |
| Special Revenue Funds  | 82,237           |
| Capital Projects Funds | <u>642</u>       |
| Total                  | <u>\$563,613</u> |

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Cash and Investments**

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

During 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), a money market account and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In accordance with Ohio statute, the Board has authorized investment earnings to be credited to the General Fund, the Building fund, the Debt Service fund, Trust funds, and the Food Service fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

|              | <u>Interest<br/>Actually<br/>Received</u> | <u>Interest Based<br/>upon Share of<br/>Investments</u> | <u>Interest Assigned<br/>from Other Funds</u> |
|--------------|-------------------------------------------|---------------------------------------------------------|-----------------------------------------------|
| General Fund | \$182,992                                 | \$162,250                                               | \$20,742                                      |

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

**F. Inventory**

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepayments**

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. 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 on debt issued to construct or acquire general fixed assets is not capitalized in the account group. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary and Nonexpendable Trust Fund

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

| <u>Asset</u>                               | <u>Life (years)</u> |
|--------------------------------------------|---------------------|
| Buildings                                  | 25-50               |
| Furniture, Fixtures and<br>Minor Equipment | 5-20                |
| Vehicles                                   | 4-6                 |

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development  
Management Information Systems  
EHA Preschool Grant  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools  
Data Communication  
School Net Professional Development  
Ohio Reads  
Eisenhower

Non-Reimbursable Grants - (cont.)

Capital Project Funds

School Net  
Emergency Building Repairs

Proprietary Funds

Food Distribution Program

Reimbursable Grants

General Fund

School Bus Purchases  
Driver Education

Proprietary Funds

National School Lunch Program  
School Breakfast Program

Grants and entitlements amounted to over 55% of the District's operating revenue during the 2000 fiscal year.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Long-Term Obligations**

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

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

**L. Fund Equity**

Contributed capital is recorded in Proprietary funds that received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation and budget stabilization. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds. Designated fund balance represents planned actions for additional monies set-aside by the District for budget stabilization.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Interfund Transactions**

Transactions between funds during the normal course of operations may occur. These may include:

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

An analysis of the District’s interfund transactions for fiscal year 2000 is presented in Note 5.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Statutory Reserves**

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

|                                                           | Textbooks              | Capital<br>Acquisition | Budget<br>Stabilization<br>Reserved | Designated           |
|-----------------------------------------------------------|------------------------|------------------------|-------------------------------------|----------------------|
| Set-aside cash balance<br>as of July 1, 1999              | \$ 0                   | \$ 0                   | \$ 89,216                           | \$177,907            |
| Required set-aside                                        | 187,682                | 187,682                | 62,561                              | 34,015               |
| Qualifying disbursements                                  | <u>(225,497)</u>       | <u>(287,977)</u>       | <u>---</u>                          | <u>---</u>           |
| <br>Total                                                 | <br><u>\$ (37,815)</u> | <br><u>\$(100,295)</u> | <br><u>\$151,777</u>                | <br><u>\$211,922</u> |
| <br>Cash balance/qualifying<br>carried forward to FY 2001 | <br><u>\$ 37,815</u>   | <br><u>\$ 100,295</u>  | <br><u>\$151,777</u>                | <br><u>\$211,922</u> |

The District had offsets and qualifying disbursements during the year that reduced the set-aside requirements of future years. During fiscal year 2000, and in the prior year, the District elected to set-aside a total of \$211,922 in excess of the statutory requirement for budget stabilization. This amount is reported as designated fund balance on the combined balance sheet.

A schedule of the restricted assets at June 30, 2000 follows:

|                                            |                      |
|--------------------------------------------|----------------------|
| Amount restricted for budget stabilization | <u>\$151,777</u>     |
| <br>Total restricted assets                | <br><u>\$151,777</u> |

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Statement of Cash Flows**

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**P. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2. N. for statutory reserves.

**R. 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.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**S. Contributed Capital**

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is 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. Contributed capital did not change during fiscal year 2000.

**T. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned (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 changes in financial position 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**

**Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

|                               | <u>Deficit Balances</u> |
|-------------------------------|-------------------------|
| <u>Special Revenue Funds</u>  |                         |
| Management Information System | \$ (273)                |
| Ohio Reads                    | (9,811)                 |
| <br>                          |                         |
| <u>Enterprise Fund</u>        |                         |
| Food Service                  | (22,202)                |

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

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

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At year end, the District had \$125 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Deposits:* At year-end the carrying amount of the District’s deposits was \$(31,804) and the bank balance was \$83,978 (both amounts include \$25,222 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. The entire bank balance was covered by federal depository insurance.

*Investments:* The District’s investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

|                                | Category of Risk<br>3 | Fair<br>Value      |
|--------------------------------|-----------------------|--------------------|
| Money Market                   | \$141,703             | \$ 141,703         |
| Not Subject to Categorization: |                       |                    |
| Investment in State            |                       |                    |
| Treasurer’s Investment Pool    | ---                   | 4,392,436          |
| Total Investments              | <u>\$141,703</u>      | <u>\$4,534,139</u> |

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

|                                             | <u>Equity in Pooled Cash<br/>and Cash Equivalents</u> | <u>Investments</u>     |
|---------------------------------------------|-------------------------------------------------------|------------------------|
| GASB Statement No. 9                        | \$ 4,502,460                                          | \$ 0                   |
| Investments of the Cash<br>Management Pool: |                                                       |                        |
| Money Market                                | (141,703)                                             | 141,703                |
| State Treasurer's Investment Pool           | (4,392,436)                                           | 4,392,436              |
| Cash on Hand                                | <u>(125)</u>                                          | <u>          </u>      |
| <br>GASB Statement No. 3                    | <br><u>\$ (31,804)</u>                                | <br><u>\$4,534,139</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2000 consist of the following individual interfund loans receivable and payable:

| <u>Fund</u>                 | <u>Interfund Loans<br/>Receivable</u> | <u>Interfund Loans<br/>(Payable)</u> |
|-----------------------------|---------------------------------------|--------------------------------------|
| General Fund                | \$15,146                              |                                      |
| <u>Special Revenue Fund</u> |                                       |                                      |
| Ohio Reads                  |                                       | \$ (9,811)                           |
| <u>Enterprise Fund</u>      |                                       |                                      |
| Food Service                | <u>          </u>                     | <u>(5,335)</u>                       |
| Total All Fund Types        | <u>\$15,146</u>                       | <u>\$(15,146)</u>                    |

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 6 - PROPERTY TAXES - (Continued)**

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

|                                                   | 1999 Second-Half<br>Collections |               | 2000 First-Half<br>Collections |               |
|---------------------------------------------------|---------------------------------|---------------|--------------------------------|---------------|
|                                                   | Amount                          | Percent       | Amount                         | Percent       |
| Agricultural/Residential<br>and Other Real Estate | \$ 87,791,470                   | 86.16         | \$ 99,091,700                  | 87.59         |
| Public Utility Personal                           | 9,477,670                       | 9.30          | 8,816,750                      | 7.79          |
| Tangible Personal Property                        | <u>4,628,615</u>                | <u>4.54</u>   | <u>5,221,777</u>               | <u>4.62</u>   |
|                                                   | <u>\$101,897,755</u>            | <u>100.00</u> | <u>\$113,130,227</u>           | <u>100.00</u> |

Tax rate per \$1,000 of  
assessed valuation:

|              |         |         |
|--------------|---------|---------|
| Operations   | \$52.43 | \$52.43 |
| Debt Service | 8.40    | 8.40    |

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Medina County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$361,464 in the General fund and \$117,761 in the Debt Service fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees) and interfund transactions. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

|                                | <u>Amounts</u> |
|--------------------------------|----------------|
| <u>General Fund</u>            |                |
| Taxes - Current and Delinquent | \$3,434,305    |
| Interfund loans                | 15,146         |
| Accounts                       | 49,692         |
| <br><u>Debt Service Fund</u>   |                |
| Taxes - Current and Delinquent | 1,001,231      |

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 8 - FIXED ASSETS**

The following changes occurred in the General Fixed Assets Account Group during the year:

|                                     | <u>Balance</u><br><u>July 1, 1999</u> | <u>Additions</u> | <u>Disposals</u>  | <u>Balance</u><br><u>June 30, 2000</u> |
|-------------------------------------|---------------------------------------|------------------|-------------------|----------------------------------------|
| Land, Buildings<br>and Improvements | \$11,472,047                          | \$230,715        |                   | \$11,702,762                           |
| Furniture/Equipment                 | 2,211,217                             | 95,564           |                   | 2,306,781                              |
| Instructional Materials             | 592,053                               |                  |                   | 592,053                                |
| Vehicles                            | 1,129,491                             | 126,351          |                   | 1,255,842                              |
| Construction in Progress            | <u>40,595</u>                         | <u>53,400</u>    | \$(40,595)        | <u>53,400</u>                          |
| Total                               | <u>\$15,445,403</u>                   | <u>\$506,030</u> | <u>\$(40,595)</u> | <u>\$15,910,838</u>                    |

A summary of the Proprietary fixed assets at June 30, 2000 follows:

|                                |                   |
|--------------------------------|-------------------|
| Furniture and Equipment        | \$ 357,508        |
| Less: Accumulated Depreciation | <u>(179,351)</u>  |
| Net Fixed Assets               | <u>\$ 178,157</u> |

**NOTE 9 - LONG-TERM DEBT**

All current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 8.40 mill bonded debt tax levy.

General Obligation School Improvement Bonds, Series 1994, in the amount of \$9,125,000, consist of \$7,325,000 Serial Bonds and \$1,800,000 Capital Appreciation Bonds (CAP Bonds). Interest accrues at rates ranging from 3.9% to 6.1%. Serial Bond principal is payable annually with interest being paid semiannually. Interest on the Capital Appreciation Bonds is compounded semiannually and payable at maturity, (CAP Bonds mature annually beginning December, 2005 through December, 2009). Total accreted interest at June 30, 2000 was \$376,374 and has been added to the General Long-Term Obligations Account Group.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 9 - LONG-TERM DEBT - (Continued)**

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these bonds are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation bonds without voter approval, and the subsequent repayment of the bonds from operating revenues.

A. The following is a description of the District's bonds outstanding as of June 30, 2000:

| <u>Purpose</u>                                                        | <u>Interest<br/>Rates</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Balance<br/>07/01/99</u> | <u>(Retired)<br/>Accrued in<br/>Fiscal 2000</u> | <u>Balance<br/>06/30/00</u> |
|-----------------------------------------------------------------------|---------------------------|-----------------------|--------------------------|-----------------------------|-------------------------------------------------|-----------------------------|
| Serial Bonds –<br>Construction and<br>Improvement Bond                | 4.40%                     | 9/1/94                | 12/1/19                  | \$6,605,000                 | \$(270,000)                                     | \$6,335,000                 |
| Capital Appreciation Bonds -<br>Construction and<br>Improvement Bonds |                           | 3.90%                 | 9/1/94                   | 474,995                     | 474,995                                         | ---                         |
| Accreted Interest on<br>Capital Appreciation Bonds                    |                           |                       |                          | <u>293,980</u>              | <u>82,394</u>                                   | <u>376,374</u>              |
| Total General Obligation Bonds Payable                                |                           |                       |                          | <u>7,373,975</u>            | <u>(187,606)</u>                                | <u>7,186,369</u>            |
| Energy Conservation Notes                                             | 5.40%                     |                       | 9/8/93                   | 8/1/00                      | <u>30,000</u>                                   | <u>(15,000)</u>             |
|                                                                       | <u>15,000</u>             |                       |                          |                             |                                                 |                             |
| Total, All General Obligation Bonds Payable and Notes                 |                           |                       |                          | <u>\$7,403,975</u>          | <u>\$(202,606)</u>                              | <u>\$7,201,369</u>          |

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 9 - LONG-TERM DEBT - (Continued)**

B. The following is a summary of the District's future annual debt service requirements to maturity for current interest bonds, energy conservation notes and capital appreciation bonds:

| Fiscal Year<br>Ending<br>June 30, | General<br>Obligation<br>Bonds | Capital<br>Appreciation<br>General Obligation<br>Bonds | Energy<br>Conservation<br>Notes | Total               |
|-----------------------------------|--------------------------------|--------------------------------------------------------|---------------------------------|---------------------|
| 2001                              | \$ 643,560                     |                                                        | \$15,405                        | \$ 658,965          |
| 2002                              | 644,037                        |                                                        |                                 | 644,037             |
| 2003                              | 643,455                        |                                                        |                                 | 643,455             |
| 2004                              | 641,783                        |                                                        |                                 | 641,783             |
| 2005                              | 643,855                        |                                                        |                                 | 643,855             |
| 2006 - 2010                       | 3,247,700                      | \$1,800,000                                            |                                 | 5,047,700           |
| 2011 - 2015                       | 3,196,400                      |                                                        |                                 | 3,196,400           |
| 2016 - 2020                       | <u>3,177,677</u>               |                                                        |                                 | <u>3,177,677</u>    |
| Total                             | 12,838,467                     | 1,800,000                                              | 15,405                          | 14,653,872          |
| Less: Interest                    | <u>(6,028,472)</u>             | <u>(948,631)</u>                                       | <u>(405)</u>                    | <u>(6,977,508)</u>  |
| Total                             | <u>\$ 6,809,995</u>            | <u>\$ 851,369</u>                                      | <u>\$15,000</u>                 | <u>\$ 7,676,364</u> |

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

|                                                    | Balance<br>July 1, 1999 | Increase         | Decrease           | Balance<br>June 30, 2000 |
|----------------------------------------------------|-------------------------|------------------|--------------------|--------------------------|
| Compensated Absences                               | \$ 376,368              | \$ 59,558        | \$ (34,824)        | \$ 401,102               |
| Pension Obligation Payable                         | 61,403                  | 62,509           | (61,403)           | 62,509                   |
| Accreted Interest on<br>Capital Appreciation Bonds | 293,980                 | 82,394           | ---                | 376,374                  |
| General Obligation Bonds                           | 6,605,000               | ---              | (270,000)          | 6,335,000                |
| Capital Appreciation Bonds                         | 474,995                 | ---              | ---                | 474,995                  |
| Refunding/Energy<br>Conservation Notes             | <u>30,000</u>           | <u>---</u>       | <u>(15,000)</u>    | <u>15,000</u>            |
| TOTAL                                              | <u>\$7,841,746</u>      | <u>\$204,461</u> | <u>\$(381,227)</u> | <u>\$7,664,980</u>       |

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 9 - LONG-TERM DEBT - (Continued)**

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$3,228,589 (including available funds of \$1,181,869) and an unvoted debt margin of \$113,130, and an unvoted energy conservation debt margin of \$1,003,172.

**NOTE 10 - RISK MANAGEMENT**

**A. Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2000, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$1 million per occurrence/\$5 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and are traditionally funded.

**B. Health Insurance**

The District is a member of the Stark County Schools Council, a public entity risk pool currently operates as a common risk management and health insurance program for member school districts. The District pays a monthly premium to the pool for health, prescription, drug, dental, and vision coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool has purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 10 - RISK MANAGEMENT - (Continued)**

**C. OSBA Worker's Compensation Group Rating**

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

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

The District maintains two Enterprise funds to account for the operations of Food Services and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

|                                                 | <u>Food<br/>Service</u> | <u>Uniform School<br/>Supplies</u> | <u>Total</u> |
|-------------------------------------------------|-------------------------|------------------------------------|--------------|
| Operating Revenues                              | \$ 215,570              | \$30,547                           | \$ 246,117   |
| Depreciation Expense                            | 1,016                   | ---                                | 1,016        |
| Operating Loss                                  | (117,493)               | (1,015)                            | (118,508)    |
| Nonoperating Revenues:                          |                         |                                    |              |
| Operating Grants                                | 88,842                  | ---                                | 88,842       |
| Donated Federal Commodities                     | 22,015                  | ---                                | 22,015       |
| Net Loss                                        | (6,420)                 | (1,015)                            | (7,435)      |
| Net Working Capital                             | (30,859)                | 5,408                              | (25,451)     |
| Total Assets                                    | 189,687                 | 5,408                              | 195,095      |
| Long-Term Liabilities                           |                         |                                    |              |
| Payable from Fund Revenue                       | 10,537                  | ---                                | 10,537       |
| Contributed Capital                             | 169,500                 | ---                                | 169,500      |
| Total Fund Equity                               | 147,298                 | 5,408                              | 152,706      |
| Encumbrances Outstanding<br>as of June 30, 2000 | 3,214                   | 4,559                              | 7,773        |

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$167,100, \$161,000, and \$138,811, respectively; 52 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$80,718, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$581,638, \$564,994, and \$560,365, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$92,792, which represents the unpaid contribution for fiscal year 2000, 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, 2000, 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 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$332,365 during the 2000 fiscal year. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$121,030 during the 2000 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

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

|                                                         | Governmental Fund Types |                            |                         |                             |
|---------------------------------------------------------|-------------------------|----------------------------|-------------------------|-----------------------------|
|                                                         | <u>General</u>          | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
| Budget Basis                                            | \$178,607               | \$17,381                   | \$319,672               | \$(118,402)                 |
| Net Adjustment for<br>Revenue Accruals                  | 59,611                  | 95                         | (14,181)                | (100,329)                   |
| Net Adjustment for<br>Expenditure Accruals              | (40,746)                | 6,863                      | ---                     | 63,578                      |
| Net Adjustment for<br>Other Financing<br>Sources/(Uses) | (86,403)                | (8,591)                    | ---                     | 100,329                     |
| Adjustment for<br>Encumbrances                          | <u>724,156</u>          | <u>17,643</u>              | <u>---</u>              | <u>7,128</u>                |
| GAAP Basis                                              | <u>\$835,225</u>        | <u>\$33,391</u>            | <u>\$305,491</u>        | <u>\$ (47,696)</u>          |

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 15 - CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**B. Litigation**

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

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$4,684,543 of school foundation support for its General fund.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 15 - CONTINGENT LIABILITIES - (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**NOTE 16 - SIGNIFICANT SUBSEQUENT EVENTS**

Mr. James Patsey was hired by the Board of Education as the Superintendent of Schools, effective July 3, 2000.

## **SUPPLEMENTAL DATA**

**BLACK RIVER LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| FEDERAL GRANTOR/<br>SUB GRANTOR/<br>PROGRAM TITLE                                               | CFDA<br>NUMBER | PASS-THROUGH<br>GRANT<br>NUMBER | (E)<br>CASH<br>FEDERAL<br>RECEIPTS | OTHER<br>FEDERAL<br>RECEIPTS | (E)<br>CASH<br>FEDERAL<br>DISBURSEMENTS | OTHER<br>FEDERAL<br>DISBURSEMENTS |
|-------------------------------------------------------------------------------------------------|----------------|---------------------------------|------------------------------------|------------------------------|-----------------------------------------|-----------------------------------|
| <b>U. S. DEPARTMENT OF AGRICULTURE<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF EDUCATION:</b> |                |                                 |                                    |                              |                                         |                                   |
| <b>Nutrition Cluster:</b>                                                                       |                |                                 |                                    |                              |                                         |                                   |
| (A) (C) Food Distribution                                                                       | 10.550         | N/A                             |                                    | \$21,200                     |                                         | \$22,015                          |
| (A) (D) School Breakfast Program                                                                | 10.553         | N/A                             | \$17,603                           |                              | \$17,603                                |                                   |
| (A) (D) National School Lunch Program                                                           | 10.555         | N/A                             | 66,315                             |                              | 66,315                                  |                                   |
| <b>Total U. S. Department of Agriculture and Nutrition Cluster</b>                              |                |                                 | 83,918                             | 21,200                       | 83,918                                  | 22,015                            |
| <b>U. S. DEPARTMENT OF EDUCATION<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF EDUCATION:</b>   |                |                                 |                                    |                              |                                         |                                   |
| Title I - Grants to Local Educational Agencies                                                  | 84.010         | 48462-C1-S1-98C                 | 0                                  |                              | 132                                     |                                   |
| Title I - Grants to Local Educational Agencies                                                  | 84.010         | 48462-C1-S1-99                  | 29,522                             |                              | 100,040                                 |                                   |
| Title I - Grants to Local Educational Agencies                                                  | 84.010         | 48462-C1-S1-00                  | 394,731                            |                              | 322,289                                 |                                   |
| <b>Total Title I</b>                                                                            |                |                                 | 424,253                            |                              | 422,461                                 |                                   |
| <b>Special Education Cluster:</b>                                                               |                |                                 |                                    |                              |                                         |                                   |
| (B) Title VI-B - Education of the Handicapped Act                                               | 84.027         | 48462-6B-SF-98P                 | 4,811                              |                              | 9,439                                   |                                   |
| (B) Title VI-B - Education of the Handicapped Act                                               | 84.027         | 48462-6B-SF-99P                 | 75,485                             |                              | 65,370                                  |                                   |
| <b>Total Title VI-B</b>                                                                         |                |                                 | 80,296                             |                              | 74,809                                  |                                   |
| (B) Special Education Preschool Grants                                                          | 84.173         | 48462-PG-S1-99P                 | 3,445                              |                              | 3,445                                   |                                   |
| <b>Total Special Education Cluster</b>                                                          |                |                                 | 83,741                             |                              | 78,254                                  |                                   |
| Education Consolidation and Improvement Act of 1981 - Chapter II                                | 84.298         | 48462-C2-S1-99C                 | 900                                |                              | 6,006                                   |                                   |
| Safe and Drug-Free Schools Grant                                                                | 84.186         | 48462-DR-S1-99                  | 1,220                              |                              | 0                                       |                                   |
| Safe and Drug-Free Schools Grant                                                                | 84.186         | 48462-DR-S1-00                  | 6,316                              |                              | 6,316                                   |                                   |
| <b>Total Safe and Drug-Free Schools Grant</b>                                                   |                |                                 | 7,536                              |                              | 6,316                                   |                                   |
| Family and School Partnership                                                                   | 84.236         | 48462-G2-S8-00                  | 9,000                              |                              | 5,122                                   |                                   |
| Eisenhower Professional Development Grant                                                       | 84.281         | 48462-MS-S1-99                  | 0                                  |                              | 10,393                                  |                                   |
| Eisenhower Professional Development Grant                                                       | 84.281         | 48462-MS-S1-00                  | 8,962                              |                              | 0                                       |                                   |
| <b>Total Eisenhower Professional Development Grant</b>                                          |                |                                 | 8,962                              |                              | 10,393                                  |                                   |
| Class Size Reduction                                                                            | 84.340         | 48462-CR-S1-00                  | 50,148                             |                              | 46,224                                  |                                   |
| <b>Total U. S. Department of Education</b>                                                      |                |                                 | 584,540                            |                              | 574,776                                 |                                   |
| <b>Total Federal Financial Assistance</b>                                                       |                |                                 | \$668,458                          | \$21,200                     | \$658,694                               | \$22,015                          |

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
 (B) Included as part of "Special Education Grant Cluster" in determining major programs.  
 (C) The Food Distribution Program is a noncash, in kind, federal grant. Commodities are valued at fair market prices.  
 (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
 (E) This schedule was prepared on the cash basis of accounting.

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard  
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Telephone 614.846.1899  
Facsimile 614.846.2799

## **Report on Compliance And on Internal Control Required By *Government Auditing Standards***

Board of Education  
Black River Local School District  
257 County Road 40  
Sullivan, Ohio 44880

We have audited the general purpose financial statements of Black River Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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

Board of Education  
Black River Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Black River Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 Black River Local School District in a separate letter dated November 9, 2000.

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

Trimble, Julian & Grube, Inc.  
November 9, 2000

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## **Report on Compliance With Requirements Applicable to Its Major Program And Internal Control Over Compliance in Accordance With *OMB Circular A-133***

Board of Education  
Black River Local School District  
257 County Road 40  
Sullivan, Ohio 44880

### Compliance

We have audited the compliance of Black River Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. Black River Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Black River Local School District's management. Our responsibility is to express an opinion on Black River Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit 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 Black River Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Black River Local School District's compliance with those requirements.

Board of Education  
Black River Local School District

In our opinion, Black River Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

#### Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.  
November 9, 2000

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**

**BLACK RIVER LOCAL SCHOOL DISTRICT**  
**MEDINA COUNTY**  
**JUNE 30, 2000**

|                                        |
|----------------------------------------|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|----------------------------------------|

|                    |                                                                                                                       |             |
|--------------------|-----------------------------------------------------------------------------------------------------------------------|-------------|
| <i>(d)(1)(i)</i>   | <i>Type of Financial Statement Opinion</i>                                                                            | Unqualified |
| <i>(d)(1)(ii)</i>  | <i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>         | No          |
| <i>(d)(1)(ii)</i>  | <i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i> | No          |
| <i>(d)(1)(iii)</i> | <i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>                                | No          |
| <i>(d)(1)(iv)</i>  | <i>Were there any material internal control weakness conditions reported for major federal programs?</i>              | No          |
| <i>(d)(1)(iv)</i>  | <i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>      | No          |
| <i>(d)(1)(v)</i>   | <i>Type of Major Programs' Compliance Opinion</i>                                                                     | Unqualified |
| <i>(d)(1)(vi)</i>  | <i>Are there any reportable findings under § .510?</i>                                                                | No          |

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**

**BLACK RIVER LOCAL SCHOOL DISTRICT**  
**MEDINA COUNTY**  
**JUNE 30, 2000**

**1. SUMMARY OF AUDITOR'S RESULTS (Continued)**

|                     |                                            |                                          |
|---------------------|--------------------------------------------|------------------------------------------|
| <i>(d)(1)(vii)</i>  | <i>Major Program:</i>                      | Title I, CFDA #84.010                    |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$300,000<br>Type B: all others |
| <i>(d)(1)(ix)</i>   | <i>Low Risk Auditee?</i>                   | Yes                                      |

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**BLACK RIVER LOCAL SCHOOL DISTRICT**

**MEDINA 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 16, 2001**