



**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Berlin-Milan Local School District
Erie County
140 South Main Street
Milan, Ohio 44846-9770

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Berlin-Milan Local School District, Erie County, Ohio, (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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Berlin-Milan Local School District, Erie County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2001 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 Berlin-Milan Local School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 12, 2001

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**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$2,852,641	\$184,473	\$404,114	\$185,104
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	5,790,070		160,904	473,368
Accounts	5,033	690		
Intergovernmental	5,250	55,151		
Accrued interest	32,242			
Interfund Receivable	55,146			
Prepaid Items	75,711	1,573		
Inventory Held for Resale	22,654			
Restricted assets:				
Equity in pooled cash and cash equivalents	212,914			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	<u>\$9,051,661</u>	<u>\$241,887</u>	<u>\$565,018</u>	<u>\$658,472</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$40,223	\$67,373			\$3,733,928
				6,424,342
3,544				9,267
				60,401
				32,242
				55,146
1,893				79,177
15,385				38,039
				212,914
41,737		\$6,626,220		6,667,957
			\$422,770	422,770
			1,365,510	1,365,510
\$102,782	\$67,373	\$6,626,220	\$1,788,280	\$19,101,693

(Continued)

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$1,135	\$461		
Accrued wages and benefits	742,197	20,249		
Compensated absences payable	13,561			
Intergovernmental Payable	90,937	1,790		
Capital Lease Payable				
Interfund Payable		55,146		
Deferred revenue	5,144,723		\$142,248	\$431,678
Deposits held and due to others				
Due to students				
General obligation bonds payable				
Total liabilities	5,992,553	77,646	142,248	431,678
Equity and other credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	308,755	89,833		37,135
Reserved for prepaid items	75,711	1,573		
Reserved for debt service			404,114	
Reserved for budget stabilization	212,924			
Reserved for inventory	22,654			
Reserved for tax revenue unavailable for appropriation	645,347		18,656	41,690
Unreserved-undesignated	1,793,717	72,835		147,969
Total equity and other credits	3,059,108	164,241	422,770	226,794
Total liabilities, equity and other credits	\$9,051,661	\$241,887	\$565,018	\$658,472

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$1,596
\$34,898				797,344
8,044			\$459,069	480,674
23,361			125,228	241,316
			16,357	16,357
				55,146
9,926				5,728,575
	\$315			315
	66,108			66,108
			1,187,626	1,187,626
76,229	66,423		1,788,280	8,575,057
		\$6,626,220		6,626,220
26,553				26,553
	150			435,873
				77,284
				404,114
				212,924
				22,654
				705,693
	800			2,015,321
26,553	950	6,626,220		10,526,636
\$102,782	\$67,373	\$6,626,220	\$1,788,280	\$19,101,693

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Taxes	\$6,326,354	
Intergovernmental	4,698,159	439,592
Interest	248,697	
Tuition and fees	36,136	
Classroom materials and fees	48,665	
Extracurricular activities		245,229
Miscellaneous	67,101	
	<hr/>	<hr/>
Total revenue	11,425,112	684,821
	<hr/>	<hr/>
Expenditures:		
Current:		
Instruction:		
Regular	5,023,894	148,003
Special	844,967	95,719
Vocational	78,496	
Other	98,588	
Support services:		
Pupil	530,984	67,583
Instructional staff	136,622	75,849
Board of Education	15,961	
Administration	1,066,642	26,227
Fiscal	174,867	6,179
Operations and maintenance	744,040	4,234
Pupil transportation	704,296	11,384
Central	468,091	
Operation of non-instructional services	118	
Extracurricular activities	295,987	222,408
Capital outlay	30,442	4,334
Debt service:		
Principal retirement	61,752	
Interest and fiscal charges	3,859	
	<hr/>	<hr/>
Total expenditures	10,279,606	661,920
	<hr/>	<hr/>
Excess of revenues over (under) expenditures	1,145,506	22,901
	<hr/>	<hr/>
Other financing sources (uses):		
Proceeds from sale of fixed assets	8,300	
Refund of prior year expenditures	29,111	
Refund of prior year receipts		
Operating transfers in	93,212	
Operating transfers out	(158,044)	
	<hr/>	<hr/>
Total other financing sources (uses)	(27,421)	
	<hr/>	<hr/>
Excess of expenditures and other financing uses over revenues and other financing sources	1,118,085	22,901
	<hr/>	<hr/>
Fund balance July 1	1,936,070	141,340
Increase in reserve for inventory	4,953	
	<hr/>	<hr/>
Fund balance, June 30	\$3,059,108	\$164,241
	<hr/> <hr/>	<hr/> <hr/>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$173,015	\$306,304		\$6,805,673
15,699	24,146		5,177,596
	2,877	\$1,127	252,701
			36,136
			48,665
		308	245,537
			67,101
<hr/>	<hr/>	<hr/>	<hr/>
188,714	333,327	1,435	12,633,409
	41,156		5,213,053
			940,686
			78,496
			98,588
			598,567
			212,471
			15,961
			1,092,869
	5,225		186,271
			748,274
	30,000		745,680
			468,091
			118
		193	518,588
	117,029		151,805
78,626			140,378
80,919			84,778
<hr/>	<hr/>	<hr/>	<hr/>
159,545	193,410	193	11,294,674
<hr/>	<hr/>	<hr/>	<hr/>
29,169	139,917	1,242	1,338,735
			8,300
			29,111
64,832		(22,211)	(22,211)
			158,044
			(158,044)
<hr/>	<hr/>	<hr/>	<hr/>
64,832		(22,211)	15,200
94,001	139,917	(20,969)	1,353,935
328,769	86,877	21,919	2,514,975
			4,953
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\$422,770	\$226,794	\$950	\$3,873,863

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30,2000**

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Taxes	\$5,959,399	\$5,959,785	\$386
Tuition	37,500	38,112	612
Intergovernmental	4,657,269	4,692,909	35,640
Investment income	213,500	214,491	991
Extracurricular activities			
Classroom materials and fees	47,620	48,665	1,045
Other	62,283	63,534	1,251
Total revenues	<u>10,977,571</u>	<u>11,017,496</u>	<u>39,925</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,281,513	5,257,958	23,555
Special	852,346	852,217	129
Vocational	81,956	80,549	1,407
Other	100,496	100,494	2
Support services:			
Pupil	563,207	543,596	19,611
Instructional staff	145,640	141,752	3,888
Board of Education	26,544	23,680	2,864
Administration	1,132,421	1,099,042	33,379
Fiscal	178,610	176,610	2,000
Operations and maintenance	849,932	833,472	16,460
Pupil transportation	744,378	731,126	13,252
Central	489,624	468,946	20,678
Extracurricular activities	301,899	298,294	3,605
Capital Outlay	45,231	36,257	8,974
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>10,793,797</u>	<u>10,643,993</u>	<u>149,804</u>
Excess of revenues over (under) expenditures	<u>183,774</u>	<u>373,503</u>	<u>189,729</u>
Other financing sources (uses):			
Sale of fixed assets	6,700	8,300	1,600
Refund of prior year's expenditures	29,111	29,111	
Refund of prior year's receipts			
Operating transfers in	93,212	93,212	
Operating transfers (out)	(158,044)	(158,044)	
Advances in	37,630	37,630	
Advances (out)	(55,146)	(55,146)	
Total other financing sources (uses)	<u>(46,537)</u>	<u>(44,937)</u>	<u>1,600</u>
Excess of revenues and other sources over (under) expenditures and other uses	137,237	328,566	191,329
Fund balance, July 1	2,399,168	2,399,168	
Prior year encumbrances appropriated	415,067	415,067	
Fund balance, June 30	<u><u>\$2,951,472</u></u>	<u><u>\$3,142,801</u></u>	<u><u>\$191,329</u></u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$160,497	\$160,475	(\$22)
\$444,154	\$422,071	(\$22,083)	14,780	15,699	919
231,875	244,539	12,664			
<u>676,029</u>	<u>666,610</u>	<u>(9,419)</u>	<u>175,277</u>	<u>176,174</u>	<u>897</u>
186,993	176,869	10,124			
108,244	103,096	5,148			
81,046	74,593	6,453			
106,669	100,342	6,327			
30,304	27,381	2,923			
6,179	6,179				
4,350	4,271	79			
11,384	11,384				
269,162	246,009	23,153			
4,334	4,334				
			78,626	78,626	
			80,919	80,919	
<u>808,665</u>	<u>754,458</u>	<u>54,207</u>	<u>159,545</u>	<u>159,545</u>	
<u>(132,636)</u>	<u>(87,848)</u>	<u>44,788</u>	<u>15,732</u>	<u>16,629</u>	<u>897</u>
			64,832	64,832	
55,146	55,146				
(37,630)	(37,630)				
<u>17,516</u>	<u>17,516</u>		<u>64,832</u>	<u>64,832</u>	
(115,120)	(70,332)	44,788	80,564	81,461	897
164,514	164,514		322,653	322,653	
53,878	53,878				
<u>\$103,272</u>	<u>\$148,060</u>	<u>\$44,788</u>	<u>\$403,217</u>	<u>\$404,114</u>	<u>\$897</u>

(Continued)

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30,2000
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
Revenues:			
Taxes	\$272,105	\$273,746	\$1,641
Tuition			
Intergovernmental	23,000	24,146	1,146
Investment income	2,500	2,877	377
Extracurricular activities			
Classroom materials and fees			
Other			
Total revenues	297,605	300,769	3,164
Expenditures:			
Current:			
Instruction:			
Regular	43,456	41,156	2,300
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration			
Fiscal	5,300	5,225	75
Operations and maintenance			
Pupil transportation	30,000	30,000	
Central			
Extracurricular activities			
Capital Outlay	244,103	154,165	89,938
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	322,859	230,546	92,313
Excess of revenues over (under) expenditures	(25,254)	70,223	95,477
Other financing sources (uses):			
Sale of fixed assets			
Refund of prior year's expenditures			
Refund of prior year's receipts			
Operating transfers in			
Operating transfers (out)			
Advances in			
Advances (out)			
Total other financing sources (uses)			
Excess of revenues and other sources over (under) expenditures and other uses	(25,254)	70,223	95,477
Fund balance, July 1	77,744	77,744	
Prior year encumbrances appropriated	12,839	12,839	
Fund balance, June 30	\$65,329	\$160,806	\$95,477

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

Expendable Trust Funds			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$6,392,001	\$6,394,006	\$2,005
			37,500	38,112	612
			5,139,203	5,154,825	15,622
\$1,176	\$1,127	(\$49)	217,176	218,495	1,319
600	308	(292)	232,475	244,847	12,372
			47,620	48,665	1,045
			62,283	63,534	1,251
<u>1,776</u>	<u>1,435</u>	<u>(341)</u>	<u>12,128,258</u>	<u>12,162,484</u>	<u>34,226</u>
			5,511,962	5,475,983	35,979
			960,590	955,313	5,277
			81,956	80,549	1,407
			100,496	100,494	2
			644,253	618,189	26,064
			252,309	242,094	10,215
			26,544	23,680	2,864
			1,162,725	1,126,423	36,302
			190,089	188,014	2,075
			854,282	837,743	16,539
			785,762	772,510	13,252
			489,624	468,946	20,678
600	343	257	571,661	544,646	27,015
			293,668	194,756	98,912
			78,626	78,626	
			80,919	80,919	
<u>600</u>	<u>343</u>	<u>257</u>	<u>12,085,466</u>	<u>11,788,885</u>	<u>296,581</u>
<u>1,176</u>	<u>1,092</u>	<u>(84)</u>	<u>42,792</u>	<u>373,599</u>	<u>330,807</u>
			6,700	8,300	1,600
			29,111	29,111	
(22,211)	(22,211)		(22,211)	(22,211)	
			158,044	158,044	
			(158,044)	(158,044)	
			92,776	92,776	
			(92,776)	(92,776)	
<u>(22,211)</u>	<u>(22,211)</u>		<u>13,600</u>	<u>15,200</u>	<u>1,600</u>
(21,035)	(21,119)	(84)	56,392	388,799	332,407
21,920	21,920		2,985,999	2,985,999	
100	100		481,884	481,884	
<u>\$985</u>	<u>\$901</u>	<u>(\$84)</u>	<u>\$3,524,275</u>	<u>\$3,856,682</u>	<u>\$332,407</u>

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$303,146
Other operating revenues	3,200
	306,346
Operating expenses:	
Salaries	166,671
Fringe benefits	59,153
Purchased services	10,956
Cost of sales	221,014
Depreciation	2,093
	459,887
Operating loss	(153,541)
Nonoperating revenues:	
Federal donated commodities	47,800
Operating grants	78,792
Loss on disposal of fixed assets	(1,972)
Interest income	1,289
Other non-operating revenue	6,775
	132,684
Net loss	(20,857)
Retained earnings/fund balance July 1	47,410
Retained earnings/fund balance June 30	\$26,553

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS/FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Sales	\$301,807	\$302,802	\$995
Expenses:			
Salaries	145,300	136,725	8,575
Employees' retirement and insurance	62,759	54,817	7,942
Purchased services	11,250	10,997	253
Materials and supplies	175,650	171,837	3,813
Capital outlay	11,100	11,084	16
Total expenses	406,059	385,460	20,599
Excess of revenues over (under) expenses	(104,252)	(82,658)	21,594
Nonoperating revenues (expenses):			
Operating grants	89,693	90,124	431
Earnings on investments	1,000	1,289	289
Miscellaneous revenues	7,500	6,774	(726)
Total nonoperating revenues (expenses)	98,193	98,187	(6)
Net income (loss)	(6,059)	15,529	21,588
Fund equity (deficit) at beginning of year	20,404	20,404	
Prior year encumbrances	6,259	6,259	
Retained earnings/fund balance June 30	\$200	\$21,788	\$21,588

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from food services	\$302,802
Cash payments to employees for services	(136,725)
Cash payments for employee benefits	(51,363)
Cash payments to suppliers for goods and services	(181,999)
	(67,285)
Cash flows from noncapital financing activities:	
Cash received from operating grants	90,124
Cash received from other non-operating revenue	6,775
	96,899
Cash flows from capital and related financing activities:	
Cash payments for capital acquisition	(11,084)
Cash flows from investing activities:	
Cash received from interest on investments	1,289
Net increase in cash and cash equivalents	19,819
Cash and cash equivalents at beginning of year	20,404
Cash and cash equivalents at end of year	\$40,223
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$153,541)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,093
Donated commodities received during year	47,800
Changes in assets and liabilities:	
(Increase)/Decrease in accounts receivable	(3,544)
(Increase)/Decrease in intergovernmental receivable	11,332
(Increase)/Decrease in intergovernmental receivable from operating grants	(11,332)
(Increase)/Decrease in prepaid items	(254)
(Increase)/Decrease in inventory held for resale	9,497
Increase/(Decrease) in accounts payable	(175)
Increase/(Decrease) in accrued wages	20,247
Increase/(Decrease) in compensated absences payable	4,864
Increase/(Decrease) in intergovernmental payable	12,879
Increase/(Decrease) in deferred revenue	(7,151)
Net cash used in operating activities	(\$67,285)

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Berlin-Milan Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Berlin-Milan Local School District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999, was 1,799. The District employed 12 administrative and supervisory personnel, 98 certificated employees and 66 non-certificated employees. Local School Districts are supervised by the Erie-Huron-Ottawa Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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.

A. 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. 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 with the District.

Jointly Governed Organizations:

Northern Ohio Educational Computer Association - The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Treasurer, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Related Organization:

Milan Public Library - The Milan Public Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. In 1997 the District passed a tax renewal of .8 mills on behalf of the Library. The District reports these monies in an agency fund.

The District is also a member of two insurance purchasing pools, described in Note 15.

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 District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

1. 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.

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 Project 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).

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. 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 are the District's Proprietary Fund Types:

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are 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 are 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.

3. 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. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of 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.

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

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 (i.e., revenues and other financing uses) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (e.g., 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 thirty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current and delinquent property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. 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 Ohio Revised Code § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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 incurrence 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.

The Proprietary 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.

D. Budgets

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the district by March 1. As part of this certification, the district receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the district must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the year.

3. Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about July 1 of each year for the period of July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which is the legal level of budgetary control. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. Lapsing of Appropriations

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

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" on the combined balance sheet.

During fiscal year 2000, investments consisted of the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Notes, Federal Home Loan Bank Notes, and Federal Farm Credit Bank Notes.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. 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.

By resolution of the Board of Education, investment earnings are assigned to the General Fund, Food Service Fund, Building Fund, and Scholarship Fund. Interest revenue credited to the General Fund during fiscal 2000 amounted to \$248,697, which includes \$13,339 assigned from other funds.

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

F. 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. See Note 18 for statutory reserves.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

G. Inventory

Inventories for all Governmental Funds are valued at cost (first in/first out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

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.

H. Prepaids

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

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The District does not include infrastructure in the general fixed asset account group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are depreciated. Depreciation of buildings, equipment and vehicles in the general fixed assets account group and the proprietary fund type is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during fiscal year 2000.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

J. Compensated Absences

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

The total liability for vacation and severance 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 liability 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 Debt Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Equity

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, debt service, materials and supplies inventory, prepaids, budget stabilization, and tax revenue unavailable for appropriation. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

M. 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 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
Early Childhood Education
Management Information Systems
OhioReads
Safe School Help Line
Title I
Title VI-B
Title VI-R
Chapter II
Pre-school for the Handicapped
Telecommunications (E-Rate)
McAuliffe Grant

Capital Project Funds

School Net

Reimbursable Grants

General Fund

Driver Education
Vocational Education Travel/Salary

Capital Project Funds

Vocational Education Equipment

Enterprise Fund

National School Lunch Program

N. Interfund Transactions

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Statement of Cash Flows

The District's Financial Statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. For purposes of GASB Statement No. 9, cash refers to "Equity in pooled cash and cash equivalents" and "Investments". The District has presented a statement of cash flows for its Enterprise Fund.

P. Financial Reporting for Proprietary Fund Type

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. 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. Estimates

The preparation of financial statements in conformity with GAAP 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.

R. 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

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

Assets

Taxes Receivable	<u><u>\$122,186</u></u>
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4. CASH AND CASH EQUIVALENTS

The District maintains a cash and cash equivalent pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". In addition, the District utilizes a financial institution to service bonded debt as principal and interest

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

payments come due. Statutes require the classification of monies held by the District into three categories:

Active Monies: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) account, or in money market deposit accounts.

Inactive Monies: those monies not required for use within the current two year period of designation of depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies: 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 bills, bonds, notes or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principle and interest by the United States;
2. Bonds, notes, debentures, or other obligations of 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 the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in § 135.03 of the Revised Code;
6. The State Treasurer's Investment pool;
7. Certain commercial paper and bankers' acceptances up to twenty-five percent of interim money available for investment at any one time subject to various limitations; and

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

Cash on Hand: At year end, the District had \$4,300 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Investments."

Deposits: At year-end, the carrying amount of the School's deposits and cash on hand was (\$135,002) and the bank balance was \$212,615.

The School's deposits are categorized to give an indication of the level of credit risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the School or its safekeeping agent in the School's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the School's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the School's name. The following show the school deposits in each category:

Of the bank balance, \$148,996 was covered by federal depository insurance. The remaining \$63,619 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by FDIC.

Investments: Statutes authorize the District to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements, and the state treasurer's investment pool (STAR OHIO).

The School's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the School or its agent in the School's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the School's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the School's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category	Reported Amount
Federal National Mortgage Association Notes	B	\$765,337
Federal National Mortgage Association Term Notes	B	273,904
Federal Home Loan Bank	B	551,664
Federal Farm Credit Bank	B	550,628
Federal Home Loan Mortgage Corp.	B	255,272
State Treasury Asset Reserve of Ohio	Not Categorized	1,680,739
Total Investments		\$4,077,544

The federal agency securities have maturities ranging from November 2000 to May 2002. The federal agency securities have interest rates ranging from 4.90% to 7.50%.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The classification of cash and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,946,842	
Cash on Hand	(4,300)	
Investments:		
STAR Ohio	(1,680,739)	\$1,680,739
U.S. Government Agencies	(2,396,805)	2,396,805
GASB Statement No. 3	(\$135,002)	\$4,077,544

5. 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.

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 at 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 assessed value upon which the 1999 taxes were collected was \$179,058,959. Agricultural/Residential and public utility real estate represented 61.3% or \$109,687,880 of this total; Commercial & Industrial real estate represented 14.5% or \$26,040,290 of this total, public utility tangible represented 9.9% or \$17,810,260 of this total and general tangible property represented 14.3% or \$25,520,529 of this total. The voted general tax rate for operations at the fiscal year ended June 30, 2000 was \$58.55 per \$1,000 of assessed valuation \$3.50 per \$1,000 of assessed valuation for permanent improvements, and \$.96 per \$1,000 of assessed valuation for debt retirement.

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 Erie County and Huron County Treasurers collect property tax on behalf of the District. The County Auditors periodically remit to the District its portions of the taxes collected. These tax

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

"advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

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 tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with Ohio Revised Code § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

6. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$5,790,070
Accounts	5,033
Interest on Investments	32,242
Intergovernmental	5,250
 <u>Special Revenue Fund</u>	
Accounts	690
Intergovernmental	55,151
 <u>Debt Service Fund</u>	
Taxes - Current and Delinquent	160,904
 <u>Capital Project Fund</u>	
Taxes - Current and Delinquent	473,368
 <u>Enterprise Fund</u>	
Accounts	3,544

7. INTERFUND RECEIVABLES/PAYABLES

Interfund balances as of June 30, 2000, consist of the following individual fund receivables and payables:

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

<u>Interfund Receivables/Payables</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$55,146	
Special Revenue Funds:		
Title I		\$11,781
Title VI-B		38,156
Title VI-R		5,209
Total Special Revenue		<u>55,146</u>
Total	<u>\$55,146</u>	<u>\$55,146</u>

8. FIXED ASSETS

Accumulated depreciation was overstated in the General Fixed Assets Account group as of June 30, 1999. The following prior period adjustment has resulted in a restatement of fixed assets as of July 1, 1999.

	<u>Book Value at 7/1/99</u>	<u>Prior Period Adjustment</u>	<u>Restated Book Value at 7/1/99</u>
General Fixed Asset Account Group			
To correct error in accumulated depreciation	<u>\$1,929,047</u>	<u>\$4,760,136</u>	<u>\$6,689,183</u>

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	<u>Balance at 7/1/99</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 6/30/00</u>
Land	\$469,196			\$469,196
Land Improvements	589,748			589,748
Buildings	4,826,410			4,826,410
Equipment	1,886,801	\$177,446	\$14,956	2,049,291
Vehicles	953,236	192,033	22,459	1,122,810
Library Books	589,602			589,602
Total	<u>9,314,993</u>	<u>369,479</u>	<u>37,415</u>	<u>9,647,057</u>
Less: Accumulated Depreciation	<u>2,625,810</u>	<u>395,027</u>		<u>3,020,837</u>
Book Value	<u>\$6,689,183</u>	<u>(\$25,548)</u>	<u>\$37,415</u>	<u>\$6,626,220</u>

The following is a summary of proprietary fund-type fixed assets at June 30, 2000:

	<u>Enterprise Funds</u>
Machinery and Equipment	\$175,543
Less: Accumulated Depreciation	<u>133,806</u>
Net Fixed Assets	<u>\$41,737</u>

The following estimated useful lives are used to compute depreciation:

Buildings	50 years
Equipment	8-20 years
Vehicles	3-5 years

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. LONG-TERM DEBT

Long-term obligations of the School District as of June 30, 2000 were as follows:

<u>General Long-term Account Group</u>	<u>Outstanding at 6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding at 6/30/00</u>
General Obligation Bonds				
Various rates				
Average 7.34%				
Matures 12/1/2011	\$795,000		\$35,000	\$760,000
Energy Conservation Bonds				
4.5%				
Matures 12/1/2008	471,252		43,626	427,626
Intergovernmental Payable	81,538	\$43,690		125,228
Capital Leases	78,109		61,752	16,357
Compensated Absences	573,876		114,807	459,069
Total	<u>\$1,999,775</u>	<u>\$43,690</u>	<u>\$255,185</u>	<u>\$1,788,280</u>

Outstanding general obligation bonds were issued for School Improvements. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the district. Energy Conservation Bonds issued in February, 1988 were for school energy improvement.

The Intergovernmental Payable consists of STRS employers benefits for August and SERS employer benefits from August through December.

The accrued vacation and sick leave benefits recorded above as compensated absences represent the noncurrent portion of the liability. The current portion has been recorded in the appropriate fund types.

The annual requirements to amortize all bonds outstanding as of June 30, 2000, including interest is as follows:

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bonds</u>
2001	\$159,141
2002	161,515
2003	153,620
2004	155,465
2005	156,925
2006-2012	891,318
Total	1,677,984
Less: Amount representing interest	490,358
Total	<u>\$1,187,626</u>

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District has entered into capitalized leases for the acquisition of reproduction equipment and computers. During the current fiscal year, the District entered into a capital lease for additional copiers, which was accounted for as a capital outlay expenditure and Other Financing Source in the General Fund.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Similar Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligation Account Group. Principal payments in the 2000 fiscal year totaled \$61,752. This amount is reflected as Debt Service Principal Retirement in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

General Long-term Obligation	
Fiscal Year Ending June 30	Equipment
2001	\$8,208
2002	5,814
2003	2,423
Total Minimum Lease Payments	16,445
Less: Amount Representing Interest	88
Present Value of Future Minimum Lease Payments	\$16,357

The District does not have capitalized lease obligations after fiscal year 2003.

11. SEGMENT INFORMATION - ENTERPRISE

The District maintains one Enterprise Fund which is intended to be self-supporting through user fees charged to the students. Financial segment information as of and for the fiscal year ended June 30, 2000 is presented below:

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	Food Service
Operating revenues	\$306,346
Depreciation expense	2,093
Operating loss	(153,541)
Non-Operating Revenue:	
Operating grants	78,792
Donated Federal Commodities	47,800
Net Income (Loss)	(20,857)
Net Working Capital	(5,413)
Total assets	102,782
Long term liabilities payable from fund revenues	8,044
Total equity	26,533
Encumbrances outstanding at 6/30/00	4,290

12. BUDGET BASIS

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 and described above 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 (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Retained Earnings, Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types and Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds, and as a note disclosure in the proprietary fund types and nonexpendable trust funds (GAAP basis).
- (d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the Budget Basis to the GAAP basis are as follows:

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Enterprise
Budget Basis	\$328,566	(\$70,332)	\$81,461	\$70,223	(\$21,119)	\$15,529
Adjustments:						
Revenue Accruals	369,986	(36,935)	12,540	32,559		40,013
Expenditure Accruals	109,643	39,874				(80,688)
Encumbrances	309,890	90,294		37,135	150	4,289
GAAP Basis	\$1,118,085	\$22,901	\$94,001	\$139,917	(\$20,969)	(\$20,857)

13. COMPENSATED ABSENCES

Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative to two hundred thirty (230) days for certified personnel. Sick leave is cumulative to two hundred forty (240) days for non-certified employees. Non-Certified employees who work less than twelve months will have the amount of sick days they may accumulate prorated based on the number of months they work.

Service Retirement

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on one-third (1/3) of accumulative sick leave up to a maximum of 50 days. Employees must have ten years service with Berlin-Milan Local School system.

Non-Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on one-third (1/3) of accumulative sick leave up to a maximum of 50 days. Employees must have fifteen years service with Berlin-Milan Local School system.

14. PENSION AND RETIREMENT PLANS

The employees of the Berlin-Milan Local School District are covered by either the School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System of Ohio (STRS). The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 or by calling (614) 222-5853.

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. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's contributions to SERS for the years ending June 30, 2000, 1999, and 1998, were \$211,180, \$175,443, and \$176,652, respectively; 45.66 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$114,760 is recorded as a liability within 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 public 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, or by calling (614)-227-4090.

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 STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the years ending June 30, 2000, 1999 and 1998 were \$681,773, \$597,155, and \$636,876, respectively; 79.15 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$142,117 is recorded as a liability within respective funds and the general long-term obligations account group.

15. POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund from

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999. The Health Care Reserve allocation for the year June 30, 1999, was 2.0% of covered payroll. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the School District, the amount contributed for postemployment benefits equaled \$372,879 during the 2000 fiscal year.

For SERS, coverage is made available to service retirees with ten or more 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% 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 surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% 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, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000. For the School District, the amount contributed for post-employment benefits equaled \$107,374 during the 2000 fiscal year.

16. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reductions in amounts of insurance coverage from 1999.

OSBA Worker's Compensation Group Rating

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Health Benefits

The District provides employee health care benefits through the Huron-Erie School Employees Insurance Association.

The Huron-Erie School Employees Insurance Association is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an assembly which consists of one representative from each participant. The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Association. All Association revenues are generated from charges for services. Financial information can be obtained by writing to The Erie-Huron-Ottawa County Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

17. CONTINGENT LIABILITIES

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.

18. 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 the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$4,199,396 of school foundation support for its general fund.

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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.

19. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance as of June 30, 1999			\$126,128
Required Set-aside	\$260,388	\$260,388	86,796
Offset Credits		(153,037)	
Qualifying Expenditures	<u>(328,144)</u>	<u>(414,576)</u>	
Total	<u>(67,756)</u>	<u>(307,225)</u>	<u>212,924</u>
Cash Balance Carried Forward to FY 2000	<u>(\$67,756)</u>		<u>\$212,924</u>

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

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**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE [CASH BASIS]
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through the Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution	n/a	10.550
Nation School Lunch	03-PU 1999 04-PU 2000	10.555
Total - National School Lunch		
Total Department of Agriculture- Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed through the Ohio Department of Education</i>		
<u>Special Education Cluster:</u>		
Special Education - Grants to States	6B-SF 1998 P 6B-SF 1999 P	84.027
Total - Special Education Grants to States		
Special Education - Preschool Grant	PG-S1 1998 P PG-S1 1999 P	84.173
Total - Preschool Grant		
Total - Special Education Cluster		
Title I Grants to Local Educational Agencies	C1-S1 1999 C1-S1 2000	84.010
Total - Title I Grants to Local Educational Agencies		
Innovative Education Program Strategies	C2-S1 1999 C2-S1 2000	84.298
Total - Innovative Education Program Strategies		
Christa McCauliffe Fellowship		84.215U
Class Size Reduction	CR-S1 2000	84.340
Total Department of Education		
TOTALS		

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$40,650		\$47,800
\$35,303		\$35,303	
49,401		49,401	
<u>84,704</u>		<u>84,704</u>	
84,704	40,650	84,704	47,800
24,510		16,806	
80,667		112,349	
<u>105,177</u>		<u>129,155</u>	
15,028		7,312	
<u>15,028</u>		<u>13,381</u>	
		20,693	
<u>120,205</u>		<u>149,848</u>	
13,120		6,282	
35,943		41,342	
<u>49,063</u>		<u>47,624</u>	
2,604		4,522	
<u>2,604</u>		<u>4,522</u>	
		4,851	
10,590		13,420	
<u>182,462</u>		<u>220,265</u>	
<u>\$267,166</u>	<u>\$40,650</u>	<u>\$304,969</u>	<u>\$47,800</u>

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the Government contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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

Berlin-Milan Local School District
Erie County
140 South Main Street
Milan, Ohio 44846-9770

To the Board of Education:

We have audited the financial statements of Berlin-Milan Local School District, Erie County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 12, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 12, 2001.

Berlin-Milan Local School District
Erie County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

January 12, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Berlin-Milan Local School District
Erie County
140 South Main Street
Milan, Ohio 44846-9770

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

Berlin-Milan Local School District
Erie County
Report of Independent Accountants on Compliance with Requirements
Applicable to the Major Federal Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

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, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 12, 2001

**BERLIN-MILAN LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: Food Distribution CFDA #10.550 National School Lunch CFDA #10.555 Special Education Cluster: Grants to State CFDA #84.027 Preschool Grant CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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OFFICE OF THE AUDITOR

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BERLIN-MILAN LOCAL SCHOOL DISTRICT

ERIE 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
FEBRUARY 06, 2001**