



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

East Liverpool City School District
Columbiana County
500 Maryland Street
East Liverpool, Ohio 43920

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the East Liverpool City School District, Columbiana County, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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 East Liverpool City School District, Columbiana County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As further discussed in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Statements No.33 and No. 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2002 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

May 21, 2002

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East Liverpool City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

| | Governmental Fund Types | | | |
|--|-------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets and Other Debits | | | | |
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,252,282 | \$1,272,706 | \$113,518 | \$422,879 |
| Receivables: | | | | |
| Taxes | 4,237,430 | 0 | 0 | 224,906 |
| Accounts | 371 | 0 | 0 | 0 |
| Intergovernmental | 0 | 275,576 | 0 | 0 |
| Interfund Receivable | 87,329 | 0 | 0 | 0 |
| Prepaid Items | 19,548 | 0 | 0 | 0 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 612,286 | 0 | 0 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 | 0 |
| Other Debits | | | | |
| Amount Available in Debt Service Fund for Retirement of General Obligation Bonds | 0 | 0 | 0 | 0 |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | \$6,209,246 | \$1,548,282 | \$113,518 | \$647,785 |

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$495,250 | \$88,170 | \$0 | \$0 | \$3,644,805 |
| 0 | 0 | 0 | 0 | 4,462,336 |
| 0 | 0 | 0 | 0 | 371 |
| 110,146 | 0 | 0 | 0 | 385,722 |
| 0 | 0 | 0 | 0 | 87,329 |
| 61,784 | 0 | 0 | 0 | 81,332 |
| 0 | 0 | 0 | 0 | 612,286 |
| 109,735 | 0 | 17,287,224 | 0 | 17,396,959 |
| 0 | 0 | 0 | 113,518 | 113,518 |
| 0 | 0 | 0 | 1,668,723 | 1,668,723 |
| <u>\$776,915</u> | <u>\$88,170</u> | <u>\$17,287,224</u> | <u>\$1,782,241</u> | <u>\$28,453,381</u> |

(continued)

East Liverpool City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2001

| | Governmental Fund Types | | | |
|---|-------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Liabilities, Fund Equity and Other Credits | | | | |
| Liabilities | | | | |
| Accounts Payable | \$41,197 | \$214,446 | \$0 | \$8,406 |
| Accrued Wages | 1,524,024 | 333,154 | 0 | 0 |
| Compensated Absences Payable | 110,123 | 1,938 | 0 | 0 |
| Interfund Payable | 0 | 71,129 | 0 | 16,200 |
| Intergovernmental Payable | 437,980 | 77,405 | 0 | 0 |
| Deferred Revenue | 4,051,150 | 53,832 | 0 | 214,663 |
| Undistributed Monies | 0 | 0 | 0 | 0 |
| Due to Students | 0 | 0 | 0 | 0 |
| Accrued Interest Payable | 0 | 0 | 0 | 1,689 |
| Energy Conservation Loan Payable | 0 | 0 | 0 | 560,493 |
| Total Liabilities | 6,164,474 | 751,904 | 0 | 801,451 |
| Fund Equity and Other Credits | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 266,111 | 219,466 | 0 | 138,836 |
| Reserved for Property Taxes | 186,280 | 0 | 0 | 10,243 |
| Reserved for Endowment | 0 | 0 | 0 | 0 |
| Reserved for Textbooks | 123,830 | 0 | 0 | 0 |
| Reserved for Budget Stabilization | 372,511 | 0 | 0 | 0 |
| Reserved for Bus Purchase Allowance | 115,946 | 0 | 0 | 0 |
| Unreserved: | | | | |
| Undesignated (Deficit) | (1,019,906) | 576,912 | 113,518 | (302,745) |
| Total Fund Equity (Deficit) and Other Credits | 44,772 | 796,378 | 113,518 | (153,666) |
| Total Liabilities, Fund Equity and Other Credits | \$6,209,246 | \$1,548,282 | \$113,518 | \$647,785 |

See accompanying notes to the general purpose financial statements

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$0 | \$0 | \$0 | \$0 | \$264,049 |
| 49,403 | 0 | 0 | 0 | 1,906,581 |
| 38,109 | 0 | 0 | 1,624,745 | 1,774,915 |
| 0 | 0 | 0 | 0 | 87,329 |
| 34,727 | 0 | 0 | 157,496 | 707,608 |
| 38,062 | 0 | 0 | 0 | 4,357,707 |
| 0 | 735 | 0 | 0 | 735 |
| 0 | 71,802 | 0 | 0 | 71,802 |
| 0 | 0 | 0 | 0 | 1,689 |
| 0 | 0 | 0 | 0 | 560,493 |
| <u>160,301</u> | <u>72,537</u> | <u>0</u> | <u>1,782,241</u> | <u>9,732,908</u> |
| 0 | 0 | 17,287,224 | 0 | 17,287,224 |
| 616,614 | 0 | 0 | 0 | 616,614 |
| 0 | 0 | 0 | 0 | 624,413 |
| 0 | 0 | 0 | 0 | 196,523 |
| 0 | 13,300 | 0 | 0 | 13,300 |
| 0 | 0 | 0 | 0 | 123,830 |
| 0 | 0 | 0 | 0 | 372,511 |
| 0 | 0 | 0 | 0 | 115,946 |
| <u>0</u> | <u>2,333</u> | <u>0</u> | <u>0</u> | <u>(629,888)</u> |
| <u>616,614</u> | <u>15,633</u> | <u>17,287,224</u> | <u>0</u> | <u>18,720,473</u> |
| <u>\$776,915</u> | <u>\$88,170</u> | <u>\$17,287,224</u> | <u>\$1,782,241</u> | <u>\$28,453,381</u> |

East Liverpool City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

| | Governmental Fund Types | | |
|--|-------------------------|--------------------|------------------|
| | General | Special Revenue | Debt Service |
| Revenues | | | |
| Taxes | \$4,240,284 | \$0 | \$0 |
| Intergovernmental | 14,133,384 | 3,496,932 | 0 |
| Interest | 298,204 | 128 | 0 |
| Tuition and Fees | 844,231 | 1,692 | 0 |
| Extracurricular Activities | 0 | 216,496 | 0 |
| Contributions and Donations | 988 | 4,883 | 0 |
| Rentals | 4,136 | 0 | 0 |
| Miscellaneous | 102,134 | 26,556 | 0 |
| <i>Total Revenues</i> | <u>19,623,361</u> | <u>3,746,687</u> | <u>0</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 8,098,420 | 1,355,262 | 0 |
| Special | 2,128,098 | 1,348,618 | 0 |
| Vocational | 1,322,430 | 71,192 | 0 |
| Adult/Continuing | 148,165 | 80,986 | 0 |
| Support Services: | | | |
| Pupils | 1,094,350 | 243,598 | 0 |
| Instructional Staff | 635,698 | 589,115 | 0 |
| Board of Education | 64,156 | 200 | 0 |
| Administration | 1,405,606 | 238,715 | 0 |
| Fiscal | 413,988 | 11,628 | 0 |
| Business | 180,562 | 0 | 0 |
| Operation and Maintenance of Plant | 2,573,104 | 0 | 0 |
| Pupil Transportation | 850,909 | 1,763 | 0 |
| Central | 0 | 13,079 | 0 |
| Operation of Non-Instructional Services | 0 | 138,313 | 0 |
| Extracurricular Activities | 237,100 | 180,890 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 2,003 | 0 | 0 |
| Interest and Fiscal Charges | 153 | 0 | 0 |
| <i>Total Expenditures</i> | <u>19,154,742</u> | <u>4,273,359</u> | <u>0</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>468,619</u> | <u>(526,672)</u> | <u>0</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from Sale of Fixed Assets | 0 | 0 | 0 |
| Operating Transfers In | 0 | 494,731 | 0 |
| Operating Transfers Out | (932,965) | 0 | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(932,965)</u> | <u>494,731</u> | <u>0</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | <u>(464,346)</u> | <u>(31,941)</u> | <u>0</u> |
| <i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i> | <u>509,118</u> | <u>828,319</u> | <u>113,518</u> |
| <i>Fund Balances (Deficit) End of Year</i> | <u>\$44,772</u> | <u>\$796,378</u> | <u>\$113,518</u> |

See accompanying notes to the general purpose financial statements

| Capital Projects | Totals (Memorandum Only) |
|---------------------|--------------------------------|
| \$226,270 | \$4,466,554 |
| 393,817 | 18,024,133 |
| 0 | 298,332 |
| 0 | 845,923 |
| 0 | 216,496 |
| 0 | 5,871 |
| 0 | 4,136 |
| 11,000 | 139,690 |
| <u>631,087</u> | <u>24,001,135</u> |
| 0 | 9,453,682 |
| 0 | 3,476,716 |
| 0 | 1,393,622 |
| 0 | 229,151 |
| 0 | 1,337,948 |
| 0 | 1,224,813 |
| 0 | 64,356 |
| 0 | 1,644,321 |
| 0 | 425,616 |
| 0 | 180,562 |
| 0 | 2,573,104 |
| 0 | 852,672 |
| 0 | 13,079 |
| 0 | 138,313 |
| 0 | 417,990 |
| 695,172 | 695,172 |
| 0 | 2,003 |
| 49,227 | 49,380 |
| <u>744,399</u> | <u>24,172,500</u> |
| <u>(113,312)</u> | <u>(171,365)</u> |
| 77,500 | 77,500 |
| 437,234 | 931,965 |
| 0 | (932,965) |
| <u>514,734</u> | <u>76,500</u> |
| 401,422 | (94,865) |
| <u>(555,088)</u> | <u>895,867</u> |
| <u>(\$153,666)</u> | <u>\$801,002</u> |

East Liverpool City School District
*Combined Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001*

| | General Fund | | Variance Favorable (Unfavorable) |
|--|--------------------|--------------------|--|
| | Budget | Actual | |
| Revenues | | | |
| Taxes | \$4,590,295 | \$4,182,620 | (\$407,675) |
| Intergovernmental | 15,513,718 | 14,134,860 | (1,378,858) |
| Interest | 327,270 | 298,204 | (29,066) |
| Tuition and Fees | 905,576 | 1,247,102 | 341,526 |
| Extracurricular Activities | 0 | 0 | 0 |
| Contributions and Donations | 1,084 | 988 | (96) |
| Rentals | 4,132 | 3,765 | (367) |
| Miscellaneous | 111,321 | 102,134 | (9,187) |
| <i>Total Revenues</i> | <u>21,453,396</u> | <u>19,969,673</u> | <u>(1,483,723)</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 8,182,745 | 8,182,745 | 0 |
| Special | 2,171,577 | 2,171,577 | 0 |
| Vocational | 1,271,053 | 1,271,053 | 0 |
| Adult/Continuing | 148,165 | 148,165 | 0 |
| Support Services: | | | |
| Pupils | 1,095,051 | 1,095,051 | 0 |
| Instructional Staff | 615,807 | 615,807 | 0 |
| Board of Education | 64,852 | 64,852 | 0 |
| Administration | 1,449,865 | 1,449,865 | 0 |
| Fiscal | 417,611 | 417,611 | 0 |
| Business | 179,107 | 179,107 | 0 |
| Operation and Maintenance of Plant | 2,669,448 | 2,669,448 | 0 |
| Pupil Transportation | 973,063 | 973,063 | 0 |
| Central | 0 | 0 | 0 |
| Operation of Non-Instructional Services | 0 | 0 | 0 |
| Extracurricular Activities | 232,503 | 232,503 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>19,470,847</u> | <u>19,470,847</u> | <u>0</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>1,982,549</u> | <u>498,826</u> | <u>(1,483,723)</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from Sale of Fixed Assets | 0 | 0 | 0 |
| Advances In | 0 | 0 | 0 |
| Advances Out | (136,536) | (87,294) | 49,242 |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | (933,202) | (932,965) | 237 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,069,738)</u> | <u>(1,020,259)</u> | <u>49,479</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | 912,811 | (521,433) | (1,434,244) |
| <i>Fund Balances Beginning of Year</i> | 1,770,508 | 1,770,508 | 0 |
| Prior Year Encumbrances Appropriated | 297,180 | 297,180 | 0 |
| <i>Fund Balances End of Year</i> | <u>\$2,980,499</u> | <u>\$1,546,255</u> | <u>(\$1,434,244)</u> |

| Special Revenue Funds | | | Debt Service Fund | | |
|-----------------------|-----------|----------------------------------|-------------------|-----------|----------------------------------|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 4,966,577 | 3,594,959 | (1,371,618) | 0 | 0 | 0 |
| 200 | 128 | (72) | 0 | 0 | 0 |
| 3,722 | 1,692 | (2,030) | 0 | 0 | 0 |
| 348,205 | 216,491 | (131,714) | 0 | 0 | 0 |
| 9,095 | 4,883 | (4,212) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 51,373 | 27,388 | (23,985) | 0 | 0 | 0 |
| 5,379,172 | 3,845,541 | (1,533,631) | 0 | 0 | 0 |
| 1,415,388 | 1,415,388 | 0 | 0 | 0 | 0 |
| 1,448,422 | 1,448,422 | 0 | 0 | 0 | 0 |
| 68,608 | 68,608 | 0 | 0 | 0 | 0 |
| 81,280 | 81,280 | 0 | 0 | 0 | 0 |
| 204,442 | 204,442 | 0 | 0 | 0 | 0 |
| 577,682 | 577,682 | 0 | 0 | 0 | 0 |
| 200 | 200 | 0 | 0 | 0 | 0 |
| 234,370 | 234,370 | 0 | 0 | 0 | 0 |
| 13,728 | 13,728 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 7,360 | 7,360 | 0 | 0 | 0 | 0 |
| 14,962 | 14,962 | 0 | 0 | 0 | 0 |
| 180,293 | 179,786 | 507 | 0 | 0 | 0 |
| 218,395 | 218,395 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 479,659 | 479,659 | 0 |
| 0 | 0 | 0 | 57,375 | 57,375 | 0 |
| 4,465,130 | 4,464,623 | 507 | 537,034 | 537,034 | 0 |
| 914,042 | (619,082) | (1,533,124) | (537,034) | (537,034) | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 71,094 | 71,094 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 420,792 | 494,731 | 73,939 | 537,034 | 432,234 | (104,800) |
| (370,776) | 0 | 370,776 | 0 | 0 | 0 |
| 50,016 | 565,825 | 515,809 | 537,034 | 432,234 | (104,800) |
| 964,058 | (53,257) | (1,017,315) | 0 | (104,800) | (104,800) |
| 742,028 | 742,028 | 0 | 113,518 | 113,518 | 0 |
| 150,076 | 150,076 | 0 | 0 | 0 | 0 |
| \$1,856,162 | \$838,847 | (\$1,017,315) | \$113,518 | \$8,718 | (\$104,800) |

(continued)

East Liverpool City School District
*Combined Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2001*

| | Capital Projects Funds | | |
|--|------------------------|------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Taxes | \$627,608 | \$222,948 | (\$404,660) |
| Intergovernmental | 664,192 | 393,817 | (270,375) |
| Interest | 0 | 0 | 0 |
| Tuition and Fees | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Contributions and Donations | 0 | 0 | 0 |
| Rentals | 0 | 0 | 0 |
| Miscellaneous | 30,965 | 11,000 | (19,965) |
| <i>Total Revenues</i> | <u>1,322,765</u> | <u>627,765</u> | <u>(695,000)</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 0 | 0 | 0 |
| Special | 0 | 0 | 0 |
| Vocational | 0 | 0 | 0 |
| Adult/Continuing | 0 | 0 | 0 |
| Support Services: | | | |
| Pupils | 0 | 0 | 0 |
| Instructional Staff | 247,232 | 247,232 | 0 |
| Board of Education | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 |
| Fiscal | 4,572 | 4,572 | 0 |
| Business | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 579,731 | 579,731 | 0 |
| Pupil Transportation | 0 | 0 | 0 |
| Central | 0 | 0 | 0 |
| Operation of Non-Instructional Services | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>831,535</u> | <u>831,535</u> | <u>0</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>491,230</u> | <u>(203,770)</u> | <u>(695,000)</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from Sale of Fixed Assets | 0 | 77,500 | 77,500 |
| Advances In | 0 | 16,200 | 16,200 |
| Advances Out | 0 | 0 | 0 |
| Operating Transfers In | 0 | 5,000 | 5,000 |
| Operating Transfers Out | (129,519) | 0 | 129,519 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(129,519)</u> | <u>98,700</u> | <u>228,219</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | 361,711 | (105,070) | (466,781) |
| <i>Fund Balances Beginning of Year</i> | 384,305 | 384,305 | 0 |
| Prior Year Encumbrances Appropriated | 103,676 | 103,676 | 0 |
| <i>Fund Balances End of Year</i> | <u>\$849,692</u> | <u>\$382,911</u> | <u>(\$466,781)</u> |

See accompanying notes to the general purpose financial statements.

| Totals (Memorandum Only) | | |
|--------------------------|--------------------|--|
| Budget | Actual | Variance Favorable (Unfavorable) |
| \$5,217,903 | \$4,405,568 | (\$812,335) |
| 21,144,487 | 18,123,636 | (3,020,851) |
| 327,470 | 298,332 | (29,138) |
| 909,298 | 1,248,794 | 339,496 |
| 348,205 | 216,491 | (131,714) |
| 10,179 | 5,871 | (4,308) |
| 4,132 | 3,765 | (367) |
| <u>193,659</u> | <u>140,522</u> | <u>(53,137)</u> |
| <u>28,155,333</u> | <u>24,442,979</u> | <u>(3,712,354)</u> |
| 9,598,133 | 9,598,133 | 0 |
| 3,619,999 | 3,619,999 | 0 |
| 1,339,661 | 1,339,661 | 0 |
| 229,445 | 229,445 | 0 |
| 1,299,493 | 1,299,493 | 0 |
| 1,440,721 | 1,440,721 | 0 |
| 65,052 | 65,052 | 0 |
| 1,684,235 | 1,684,235 | 0 |
| 435,911 | 435,911 | 0 |
| 179,107 | 179,107 | 0 |
| 3,249,179 | 3,249,179 | 0 |
| 980,423 | 980,423 | 0 |
| 14,962 | 14,962 | 0 |
| 180,293 | 179,786 | 507 |
| 450,898 | 450,898 | 0 |
| 479,659 | 479,659 | 0 |
| <u>57,375</u> | <u>57,375</u> | <u>0</u> |
| <u>25,304,546</u> | <u>25,304,039</u> | <u>507</u> |
| <u>2,850,787</u> | <u>(861,060)</u> | <u>(3,711,847)</u> |
| 0 | 77,500 | 77,500 |
| 0 | 87,294 | 87,294 |
| (136,536) | (87,294) | 49,242 |
| 957,826 | 931,965 | (25,861) |
| <u>(1,433,497)</u> | <u>(932,965)</u> | <u>500,532</u> |
| <u>(612,207)</u> | <u>76,500</u> | <u>688,707</u> |
| 2,238,580 | (784,560) | (3,023,140) |
| 3,010,359 | 3,010,359 | 0 |
| <u>550,932</u> | <u>550,932</u> | <u>0</u> |
| <u>\$5,799,871</u> | <u>\$2,776,731</u> | <u>(\$3,023,140)</u> |

East Liverpool City School District
*Combined Statement of Revenues,
Expenses and Changes in Retained Earnings/Fund Balance
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001*

| | Enterprise | Nonexpendable Trust | Totals (Memorandum Only) |
|---|-------------------------|------------------------|--------------------------------|
| Operating Revenues | | | |
| Sales | \$339,942 | \$0 | \$339,942 |
| Interest | 0 | 591 | 591 |
| Other Revenues | 12,013 | 0 | 12,013 |
| <i>Total Operating Revenues</i> | <u>351,955</u> | <u>591</u> | <u>352,546</u> |
| Operating Expenses | | | |
| Salaries | 307,875 | 0 | 307,875 |
| Fringe Benefits | 215,696 | 0 | 215,696 |
| Purchased Services | 10,034 | 0 | 10,034 |
| Materials and Supplies | 124,628 | 0 | 124,628 |
| Cost of Sales | 414,163 | 0 | 414,163 |
| Depreciation | 39,690 | 0 | 39,690 |
| Other | 616 | 500 | 1,116 |
| <i>Total Operating Expenses</i> | <u>1,112,702</u> | <u>500</u> | <u>1,113,202</u> |
| <i>Operating Income (Loss)</i> | <u>(760,747)</u> | <u>91</u> | <u>(760,656)</u> |
| Non-Operating Revenues | | | |
| Federal Donated Commodities | 64,228 | 0 | 64,228 |
| Operating Grants | 403,032 | 0 | 403,032 |
| <i>Total Non-Operating Revenues</i> | <u>467,260</u> | <u>0</u> | <u>467,260</u> |
| <i>Net Income (Loss) Before Operating Transfers</i> | (293,487) | 91 | (293,396) |
| Operating Transfers In | 1,000 | 0 | 1,000 |
| <i>Net Income (Loss)</i> | (292,487) | 91 | (292,396) |
| <i>Retained Earnings/Fund Balance</i> | | | |
| <i>Beginning of Year</i> | <u>909,101</u> | <u>15,542</u> | <u>924,643</u> |
| <i>End of Year</i> | <u><u>\$616,614</u></u> | <u><u>\$15,633</u></u> | <u><u>\$632,247</u></u> |

See accompanying notes to the general purpose financial statements

East Liverpool City School District
*Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001*

| | Enterprise | | Variance Favorable (Unfavorable) |
|--|--------------------|------------------|--|
| | Budget | Actual | |
| Revenues | | | |
| Sales | \$1,099,051 | \$339,942 | (\$759,109) |
| Interest | 0 | 0 | 0 |
| Operating Grants | 385,000 | 368,436 | (16,564) |
| Other Revenue | 24,218 | 12,013 | (12,205) |
| <i>Total Revenues</i> | <u>1,508,269</u> | <u>720,391</u> | <u>(787,878)</u> |
| Expenses | | | |
| Salaries | 359,374 | 359,374 | 0 |
| Fringe Benefits | 177,587 | 177,587 | 0 |
| Purchased Services | 11,488 | 11,488 | 0 |
| Materials and Supplies | 458,412 | 458,412 | 0 |
| Capital Outlay | 13,754 | 13,754 | 0 |
| Other | 616 | 616 | 0 |
| <i>Total Expenses</i> | <u>1,021,231</u> | <u>1,021,231</u> | <u>0</u> |
| <i>Excess of Revenues Over (Under) Expenses</i> | 487,038 | (300,840) | (787,878) |
| Operating Transfers In | 0 | 1,000 | 1,000 |
| <i>Excess of Revenues Over (Under) Expenses, and Operating Transfers</i> | 487,038 | (299,840) | (786,878) |
| <i>Fund Equity Beginning of Year</i> | 762,467 | 762,467 | 0 |
| Prior Year Encumbrances Appropriated | 17,956 | 17,956 | 0 |
| <i>Fund Equity End of Year</i> | <u>\$1,267,461</u> | <u>\$480,583</u> | <u>(\$786,878)</u> |

(continued)

East Liverpool City School District
*Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type and Nonexpendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2001*

| | Nonexpendable Trust | | |
|--|---------------------|----------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Sales | \$0 | \$0 | \$0 |
| Interest | 16,133 | 386 | (15,747) |
| Operating Grants | 0 | 0 | 0 |
| Other Revenue | 0 | 0 | 0 |
| <i>Total Revenues</i> | 16,133 | 386 | (15,747) |
| Expenses | | | |
| Salaries | 0 | 0 | 0 |
| Fringe Benefits | 0 | 0 | 0 |
| Purchased Services | 0 | 0 | 0 |
| Materials and Supplies | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Other | 500 | 500 | 0 |
| <i>Total Expenses</i> | 500 | 500 | 0 |
| <i>Excess of Revenues Over (Under) Expenses</i> | 15,633 | (114) | (15,747) |
| Operating Transfers In | 0 | 0 | 0 |
| <i>Excess of Revenues Over (Under) Expenses, and Operating Transfers</i> | 15,633 | (114) | (15,747) |
| <i>Fund Equity Beginning of Year</i> | 15,542 | 15,542 | 0 |
| Prior Year Encumbrances Appropriated | 0 | 0 | 0 |
| <i>Fund Equity End of Year</i> | \$31,175 | \$15,428 | (\$15,747) |

See accompanying notes to the general purpose financial statements

| <u>Totals (Memorandum Only)</u> | | |
|---------------------------------|-------------------------|---|
| <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| \$1,099,051 | \$339,942 | (\$759,109) |
| 16,133 | 386 | (15,747) |
| 385,000 | 368,436 | (16,564) |
| <u>24,218</u> | <u>12,013</u> | <u>(12,205)</u> |
| <u>1,524,402</u> | <u>720,777</u> | <u>(803,625)</u> |
| 359,374 | 359,374 | 0 |
| 177,587 | 177,587 | 0 |
| 11,488 | 11,488 | 0 |
| 458,412 | 458,412 | 0 |
| 13,754 | 13,754 | 0 |
| <u>1,116</u> | <u>1,116</u> | <u>0</u> |
| <u>1,021,731</u> | <u>1,021,731</u> | <u>0</u> |
| 502,671 | (300,954) | (803,625) |
| <u>0</u> | <u>1,000</u> | <u>1,000</u> |
| 502,671 | (299,954) | (802,625) |
| 778,009 | 778,009 | 0 |
| <u>17,956</u> | <u>17,956</u> | <u>0</u> |
| <u><u>\$1,298,636</u></u> | <u><u>\$496,011</u></u> | <u><u>(\$802,625)</u></u> |

East Liverpool City School District
Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|--|--------------------------|------------------------|----------------------|
| | Enterprise | Nonexpendable Trust | (Memorandum Only) |
| <i>Increase (Decrease) in</i> | | | |
| <i>Cash and Cash Equivalents</i> | | | |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | \$339,942 | \$0 | \$339,942 |
| Cash Received from Other Operating Sources | 12,013 | 0 | 12,013 |
| Cash Payments to Employees for Services | (359,374) | 0 | (359,374) |
| Cash Payments for Employee Benefits | (177,587) | 0 | (177,587) |
| Cash Payments for Goods and Services | (455,233) | 0 | (455,233) |
| Cash Payments for Other Operating Expenses | (616) | (500) | (1,116) |
| <i>Net Cash Used for Operating Activities</i> | (640,855) | (500) | (641,355) |
| Cash Flows from Noncapital Financing Activities | | | |
| Operating Grants Received | 368,436 | 0 | 368,436 |
| Operating Transfers In | 1,000 | 0 | 1,000 |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | 369,436 | 0 | 369,436 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Payments for Capital Acquisitions | (13,754) | 0 | (13,754) |
| Cash Flows from Investing Activities | | | |
| Interest on Investments | 0 | 591 | 591 |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | (285,173) | 91 | (285,082) |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 780,423 | 15,542 | 795,965 |
| <i>Cash and Cash Equivalents End of Year</i> | \$495,250 | \$15,633 | \$510,883 |

(continued)

East Liverpool City School District
Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2001

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|--|--------------------------|------------------------|----------------------|
| | Enterprise | Nonexpendable Trust | (Memorandum Only) |
| Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities | | | |
| <i>Operating Income (Loss)</i> | (\$760,747) | \$91 | (\$760,656) |
| Adjustments | | | |
| Depreciation | 39,690 | 0 | 39,690 |
| Donated Commodities Used During Year | 64,228 | 0 | 64,228 |
| Interest Received by | | | |
| Nonexpendable Trust Fund | 0 | (591) | (591) |
| (Increase)/Decrease in Assets: | | | |
| Inventory Held for Resale | (5,034) | 0 | (5,034) |
| Increase/(Decrease) in Liabilities: | | | |
| Accounts Payable | (328) | 0 | (328) |
| Accrued Wages | 20,499 | 0 | 20,499 |
| Compensated Absences Payable | 2,788 | 0 | 2,788 |
| Intergovernmental Payable | (1,951) | 0 | (1,951) |
| <i>Total Adjustments</i> | 119,892 | (591) | 119,301 |
| <i>Net Cash Used for Operating Activities</i> | (\$640,855) | (\$500) | (\$641,355) |
| Reconciliation of Cash and Cash Equivalents to the Balance Sheet | | | |
| Trust and Agency | \$88,170 | | |
| Less: Agency Funds | (72,537) | | |
| Nonexpendable Trust Fund | \$15,633 | | |

See accompanying notes to the general purpose financial statements

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East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 1 - Description of the School District and Reporting Entity

East Liverpool City School District (the "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.

The School District operates under a locally-elected five member Board and provides educational services as mandated by state or federal agencies. The School District is the 130th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 134 non-certificated employees, 261 certified full-time teaching personnel and 35 administrative employees who provide services to 3,240 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and 1 bus garage.

The School District was established in 1864 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 10 square miles. It is located in Columbiana County, and includes all of the City of East Liverpool, all of Liverpool Township and a portion of Saint Clair Township.

Reporting Entity

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

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

The following activities are included within the reporting entity:

Parochial Schools Within the School District boundaries, St. Aloysius Catholic School is operated through the Catholic Diocese of Youngstown; East Liverpool Christian School is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with the Area Cooperative Computer Educational Service System (ACCESS) which is defined as a jointly governed organization. This organization is presented in Note 19 to the general purpose financial statements.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies

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

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been given the authority to allocate Board of Education appropriations among functions and objects.

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

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

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. Appropriations are allocated among functions within a fund during the fiscal year by the Treasurer without Board of Education approval. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. At year-end, the Board approved appropriations that reflected actual expenditures for the fiscal year.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

D. Cash and Cash Equivalents

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

During fiscal year 2001, investments were limited to certificates of deposit and STAROhio. Certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$298,204, which includes \$167,537 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District, are considered to be cash equivalents. Investments with an initial maturity of more than three months, not purchased from the pool, are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. Materials and supplies inventory has not been reported in the governmental funds since the balance is insignificant.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, textbooks, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture, vehicles and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Interfund Assets and Liabilities

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

L. Interfund Transactions

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

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

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, endowments, textbooks, budget stabilization and bus purchase allowance.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

Note 3 - Changes In Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues."

During the year, the fund classification was reviewed and it was determined that the expendable trust fund should be split and classified as a special revenue fund and an agency fund.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

At June 30, 2000, the change in accounting principals and the reclassification of funds changed previously reported fund balances as follows:

| | Special Revenue | Expendable Trust |
|----------------------------------|--------------------|---------------------|
| Fund Balance at 6/30/00 | \$601,806 | \$6,788 |
| Reclassify Trust Fund | 5,936 | (6,788) |
| GASB 33 and 36 | 220,577 | 0 |
| Restated Fund Balance at 6/30/00 | \$828,319 | \$0 |

The reclassification of funds changed the previously reported total assets and liabilities of the agency funds by \$852, from \$9,030 to \$9,882.

The effect of the change in accounting principals and reclassification of funds on excess of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2000 is as follows:

| | Special Revenue | Expendable Trust |
|--|--------------------|---------------------|
| Excess as Previously Reported | \$218,425 | (\$1,272) |
| Reclassify Trust Fund | 98 | 1,272 |
| Restated Excess for the Fiscal Year Ended 6/30/00 | \$218,523 | \$0 |

Note 4 - Accountability and Compliance

At June 30, 2001, the following funds had deficit fund balances:

| | |
|-----------------------------------|---------|
| Special Revenue Funds: | |
| Career Development | \$306 |
| DPIA | 116,026 |
| Adult Basic Education | 928 |
| Vocational Education | 13,917 |
| Pre-School | 1,139 |
| Reducing Class Size | 5,621 |
| Capital Projects Fund: | |
| Permanent Improvement | 558,320 |

The special revenue funds deficit balances resulted from expenditures in excess of resources. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, rather than when accruals occur.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The permanent improvement capital project fund deficit balance arose from the requirement to report notes as a liability in the fund which received the proceeds. Once the note is retired, the deficit will be eliminated.

The District did not comply with Ohio Revised Code Section 5705.40 in that it directed the Treasurer to make amendments to the original appropriations without requiring that such amendments be presented for Board approval.

The District did not comply with Ohio Administrative Code 117.02 (C) in that the amounts appropriated by the Board of Education were not equal to the amounts posted to each appropriation account.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP).
4. Proceeds from and principal payments on short term note obligations are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
5. The School District repays short-term note debt from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types | | | | |
|---|--------------------|--------------------|--------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| GAAP Basis | (\$464,346) | (\$31,941) | \$0 | \$401,422 |
| Revenue Accruals | 346,312 | 98,854 | 0 | (3,322) |
| Advance In | 0 | 71,094 | 0 | 16,200 |
| Expenditure Accruals | 2,208 | 242,595 | 0 | 257 |
| Advances Out | (87,294) | 0 | 0 | 0 |
| Reclassified for Debt | | | | |
| Principal Retirement | 0 | 0 | (479,659) | 0 |
| Interest and Fiscal Charges | 0 | 0 | (57,375) | 57,375 |
| Transfers In | 0 | 0 | 432,234 | (432,234) |
| Encumbrances | (318,313) | (433,859) | 0 | (144,768) |
| Budget Basis | <u>(\$521,433)</u> | <u>(\$53,257)</u> | <u>(\$104,800)</u> | <u>(\$105,070)</u> |

| Net Income (Loss)/Excess of Revenues Over (Under) Expenses and Operating Transfers Proprietary Fund Type and Nonexpendable Trust Fund | | |
|---|--------------------|------------------------|
| | Enterprise | Nonexpendable Trust |
| GAAP Basis | (\$292,487) | \$91 |
| Revenue Accruals | (34,598) | 0 |
| Expense Accruals | 15,976 | 0 |
| Cash Adjustment | 0 | (205) |
| Capital Outlay | (13,754) | 0 |
| Depreciation Expense | 39,690 | 0 |
| Encumbrances | (14,667) | 0 |
| Budget Basis | <u>(\$299,840)</u> | <u>(\$114)</u> |

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 6 - Deposits and Investments

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

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

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

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

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

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

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain Banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was (\$10,027) and the bank balance was \$1,467,671. Of the bank balance:

1. \$113,300 was covered by federal depository insurance; and
2. \$1,354,371 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form and has a carrying and fair value of \$4,267,118.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

| | Cash and Cash Equivalents/Deposits | Investments |
|---|---------------------------------------|-------------|
| GASB Statement 9 | \$4,257,091 | \$0 |
| Investments which are part of the cash management pool: | | |
| STAROhio | (4,267,118) | 4,267,118 |
| GASB Statement 3 | (\$10,027) | \$4,267,118 |

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2001 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The assessed values upon which the fiscal year 2001 taxes were collected are:

| | 2000 Second- Half Collections | | 2001 First- Half Collections | |
|--|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/ Residential and Other Real Estate | \$120,052,430 | 77.91% | \$119,676,050 | 77.90% |
| Public Utility Personal | 14,018,580 | 9.10 | 12,684,180 | 8.26 |
| Tangible Personal Property | 20,024,730 | 12.99 | 21,262,590 | 13.84 |
| Total | \$154,095,740 | 100.00% | \$153,622,820 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$36.70 | | \$36.70 | |

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

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

The School District receives property taxes from Columbiana County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available to the School District as an advance at June 30, 2001, was \$186,280 in the general fund and \$10,243 in the permanent improvements capital projects fund.

Note 8 - Receivables

Receivables at June 30, 2001 consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

A summary of the principal items of intergovernmental receivables follows:

| | Amounts |
|-------------------------------------|-----------|
| Special Revenue Funds: | |
| Career Development | \$2,479 |
| Adult Basic Education | 8,078 |
| Eisenhower | 2,485 |
| Title VI-B | 55,599 |
| Vocational Education | 14,982 |
| Title I | 144,291 |
| Title VI | 3,647 |
| Drug Free Schools | 268 |
| Goals 2000 | 26,529 |
| Reducing Class Size | 17,218 |
| | 275,576 |
| Enterprise Fund: | |
| Food Service | 110,146 |
| | \$385,722 |
| Total Intergovernmental Receivables | \$385,722 |

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

| | |
|--------------------------------|-----------|
| Furniture and Equipment | \$535,503 |
| Vehicles | 5,010 |
| Less: Accumulated Depreciation | (430,778) |
| Net Fixed Assets | \$109,735 |

A summary of the changes in general fixed assets during fiscal year 2001 follows:

| | Balance 6/30/00 | Additions | Deductions | Balance 6/30/01 |
|----------------------------|--------------------|-----------|------------|--------------------|
| Land and Improvements | \$900,660 | \$0 | \$0 | \$900,660 |
| Buildings | 11,290,904 | 0 | 127,706 | 11,163,198 |
| Equipment | 3,690,667 | 269,117 | 0 | 3,959,784 |
| Vehicles | 1,263,582 | 0 | 0 | 1,263,582 |
| Total General Fixed Assets | \$17,145,813 | \$269,117 | \$127,706 | \$17,287,224 |

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for fleet insurance, property and inland marine insurance, liability insurance, and with Auto-Owners Insurance Company for flood insurance. Coverage provided is as follows:

| | |
|---|--------------|
| Property: All Buildings and Contents (\$1,000 deductible) | \$64,866,900 |
| Flood: Field, Buildings and Contents (\$750 deductible) | 500,000 |
| Inland Marine Coverage (\$100 deductible) | 100,000 |
| Crime Insurance (\$250 deductible) | 20,000 |
| Automobile Liability (\$250 deductible) | 2,000,000 |
| Uninsured Motorists (\$250 deductible) | 1,000,000 |
| General Liability | |
| Per occurrence | 2,000,000 |
| Total per year | 5,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reduction in coverage from last year.

The School District pays the State Worker Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$120,289, \$146,864 and \$197,988 respectively; 48.06 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$62,484 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,130,532, \$680,970 and \$665,388 respectively; 80.55 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$219,931 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$535,515 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$280,674.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for classified personnel and 240 days for certified personnel. Upon retirement, payment is made to classified employees for one-third of the first 90

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

days plus 10 percent of the remaining balance up to the 200 days maximum and to certified employees for one-third of the first 90 days plus 10 percent of the remaining balance up to 240 days maximum. In no case shall a certified retiree receive less than 10 days, regardless of the number of sick days accumulated.

B. Life Insurance

The School District provides term life insurance and accidental death and dismemberment insurance to all certified employees and to those classified employees working at least 22.5 hours per week, through Reliance Standard Life Insurance Company at 100 percent of the cost.

C. Health Insurance

The School District provides medical and dental insurance to all certified employees and to those classified employees working at least 22.5 hours per week, through Medical Mutual of Ohio. Coverage for classified employees begins the first day of the month following six months of employment, with 100 percent of the premium paid by the School District. Coverage for certified employees begins the first day of employment, with 100 percent paid by the School District.

Note 14 - Loans Payable

The School District's loans payable activity, including amounts outstanding, interest rates and the purpose for which it was issued follows:

| | Principal Outstanding 6/30/00 | Additions | Deductions | Principal Outstanding 6/30/01 |
|--------------------------------|-------------------------------------|-----------|------------|-------------------------------------|
| <i>Capital Projects Fund</i> | | | | |
| Energy Conservation Loan 5.00% | \$635,152 | \$0 | \$74,659 | \$560,493 |
| Energy Conservation Loan 8.00% | 405,000 | 0 | 405,000 | 0 |
| <i>Total</i> | \$1,040,152 | \$0 | \$479,659 | \$560,493 |

In prior years, the School District issued two unvoted general obligation energy conservation loans for the purpose of providing energy conservation measures for the School District and to finance building improvements. The loans are being retired from tax revenues. The liability is reflected in the permanent improvement capital projects fund which received the proceeds.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

| Fiscal Year Ending June 30, | Energy Conservation Loans |
|---------------------------------|---------------------------------|
| 2002 | \$104,623 |
| 2003 | 104,623 |
| 2004 | 104,623 |
| 2005 | 104,623 |
| 2006 | 104,623 |
| 2007-2008 | 130,683 |
| Total Principal and Interest | 653,798 |
| Less: Interest | (93,305) |
| Total Principal | \$560,493 |

Note 15 - General Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

| | Principal Outstanding 6/30/00 | Additions | Deductions | Principal Outstanding 6/30/01 |
|--------------------------------|-------------------------------------|-----------|------------|-------------------------------------|
| Compensated Absences | \$1,477,400 | \$226,837 | \$79,492 | \$1,624,745 |
| Intergovernmental Payable | 174,126 | 157,496 | 174,126 | 157,496 |
| Capital Leases | 2,003 | 0 | 2,003 | 0 |
| <i>Total General Long-Term</i> | \$1,653,529 | \$384,333 | \$255,621 | \$1,782,241 |

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. The capital lease obligations were paid from the general fund.

The School District's overall legal debt margin was \$13,712,536 with an unvoted debt margin of \$153,623 at June 30, 2001.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 16 - Capital Leases - Lessee Disclosure

In prior years, the School District entered into capitalized leases for two automobiles. Each lease met 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$26,784, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

As of June 30, 2001 the School District had completely paid all of the lease payments.

Note 17 - Interfund Activity

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

| Fund Type/Fund | Interfund Receivable | Interfund Payables |
|-------------------------------|-------------------------|-----------------------|
| General Fund | \$87,329 | \$0 |
| Special Revenue Funds | | |
| Career Development | | 2,749 |
| Summer Intervention | | 1,332 |
| Title VI-B | | 54,000 |
| Vocational Education | | 12,493 |
| Goals 2000 | | 555 |
| | 0 | 71,129 |
| Capital Projects Funds | | |
| School Net | 0 | 16,200 |
| Total All Funds | \$87,329 | \$87,329 |

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 18 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and after care. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

| | Food Service | After Care | Total Enterprise |
|--|-----------------|---------------|---------------------|
| Operating Revenues | \$339,942 | \$12,013 | \$351,955 |
| Depreciation Expense | 39,690 | 0 | 39,690 |
| Operating Loss | (752,335) | (8,412) | (760,747) |
| Federal Donated Commodities | 64,228 | 0 | 64,228 |
| Operating Grants | 403,032 | 0 | 403,032 |
| Operating Transfers In | 0 | 1,000 | 1,000 |
| Net Loss | (285,075) | (7,412) | (292,487) |
| Fixed Asset Additions | 13,754 | 0 | 13,754 |
| Net Working Capital | 540,638 | 4,350 | 544,988 |
| Total Assets | 770,221 | 6,694 | 776,915 |
| Long-Term Compensated Absences Payable | 38,109 | 0 | 38,109 |
| Total Equity | 612,264 | 4,350 | 616,614 |
| Encumbrances at June 30, 2001 | 14,667 | 0 | 14,667 |

Note 19 - Jointly Governed Organization

The Area Cooperative Computer Educational Service System is a jointly governed organization. The School District is a participant in the Area Cooperative Computer Educational Service System (ACCESS) which is a not-for-profit computer consortium. ACCESS's primary function is to provide data processing services to its twenty-three member school districts with the major emphasis being placed on accounting, payroll, personnel records and inventory control services. ACCESS is governed by an assembly consisting of the superintendents (or other designees) of the member school districts. The assembly exercises total control over the operation of ACCESS, including budgeting, appropriating, contracting and designating management. All revenue is generated from State funding and charges for services. The School District paid ACCESS \$42,816 for services provided during the fiscal year ending June 30, 2001.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

Note 21 - Set-Asides

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

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

| | Budget Stabilization Reserve | Capital Improvements Reserve | Textbook/ Instructional Materials Reserve |
|---|------------------------------------|------------------------------------|--|
| Set-aside Reserve Balance as of June 30, 2000 | \$372,511 | \$0 | \$0 |
| Current Year Set-aside Requirement | 0 | 393,355 | 393,355 |
| Qualifying Disbursements | 0 | (482,056) | (269,525) |
| Totals | \$372,511 | (\$88,701) | \$123,830 |
| Set-aside Balance Carried Forward to Future Fiscal Years | \$372,511 | \$0 | \$123,830 |
| Set-Aside Reserve Balance as of June 30, 2001 | \$372,511 | \$0 | \$123,830 |

The School District had qualifying disbursements during the fiscal year that reduced the capital improvement set-aside amounts below zero. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

The total reserve balance for the three set-asides at the end of the fiscal year was \$496,341.

East Liverpool City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 22 - Subsequent Event

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of May 21, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|---|------------------------------------|-----------------|------------------------------|----------------------|-----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | 03-PU-01 | 10.550 | | \$67,108 | | \$64,228 |
| National School Lunch Program | 04-PU-01 | 10.555 | 276,145 | | 276,145 | |
| National School Breakfast Program | 05-PU-01 | 10.553 | 75,098 | | 75,098 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 351,243 | 67,108 | 351,243 | 64,228 |
| U.S. Department of Education | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Special Education Cluster: | | | | | | |
| Title VI-B Flow Through | 6B-SF-00P | 84.027 | 40,375 | | 28,505 | |
| | 6B-SF-01P | | 260,335 | | 229,510 | |
| | 6B-SF-99P | | | | 61 | |
| Total Title VI-B Flow Through Grant | | | 300,710 | | 258,076 | |
| Special Education - Preschool Grant | PG-S1-01P | 84.173 | 19,108 | | 17,173 | |
| | PG-S1-00P | | | | 208 | |
| | | | | | 4,271 | |
| Total Special Education - Preschool Grant | | | 19,108 | | 21,652 | |
| Goals 2000 Grant | | | | | | |
| Continuous Improvement Grant | G2-S2-00 | 84.276 | 21,000 | | 6,989 | |
| | G2-S1-01 | | 11,369 | | 999 | |
| Total Goals 2000 Grant | | | 32,369 | | 7,988 | |
| Performance Incentive Grant | G2-S1-99 | 94.004 | | | 506 | |
| | G2-S1-00 | | | | 18,794 | |
| | G2-S1-01 | | 14,000 | | 0 | |
| Total Performance Incentive Grant | | | 14,000 | | 19,300 | |
| Class Size Reduction Grant | CR-S1-00 | 84.340 | | | 1,594 | |
| | CR-S1-01 | | 145,408 | | 135,900 | |
| Total Class Size Reduction Grant | | | 145,408 | | 137,494 | |
| Grants to Local Educational Agencies (ESEA Title I) | C1-S1-00 | 84.010 | 158,016 | | 294,351 | |
| | C1-S1-00C | | | | 77,110 | |
| | C1-S1-99 | | | | 962 | |
| | C1-S1-01 | | 1,048,661 | | 900,138 | |
| Total ESEA Title I | | | 1,206,677 | | 1,272,561 | |
| Innovative Educational Program Strategies | C2-S1-01 | 84.298 | 16,808 | | 12,991 | |
| | C2-S1-00C | | | | 1,708 | |
| | C2-S1-99 | | | | 13,936 | |
| Total Innovative Educational Programs | | | 16,808 | | 28,635 | |
| Drug Free School Grant | DR-S1-01 | 84.186 | 13,933 | | 10,958 | |
| | DR-S1-00C | | | | 6,652 | |
| | DR-S1-99 | | | | 3,520 | |
| Total Drug Free School Grant | | | 13,933 | | 21,130 | |
| Impact Aid | 45-OH-98-2401 | 84.041 | 3,207 | | 8,453 | |
| Title II - Dwight D. Eisenhower Program | MS-S1-00C | 84.281 | | | 841 | |
| | MS-S1-00 | | | | 8,727 | |
| | MS-S1-99 | | | | 149 | |
| | MS-S1-01 | | 22,369 | | 11,257 | |
| Total Title II - Dwight D. Eisenhower Program | | | 22,369 | | 20,974 | |
| Adult Basic Education | AB-S1-01 | 84.002 | 24,259 | | 45,723 | |
| | AB-S1-00 | | 0 | | 21,576 | |
| Total Adult Basic Education | | | 24,259 | | 67,299 | |
| Vocational Education Basic Grants to States | FY 00 | 84.048 | 16,362 | | 20,581 | |
| | FY 01 | | 86,290 | | 94,488 | |
| | FY 99 | | | | 385 | |
| Total Vocational Education | | | 102,652 | | 115,454 | |
| Total U.S. Department of Education | | | 1,901,500 | | 1,979,016 | |

EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001
(Continued)

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|----------------------------------|---------------------------|---------------------------|------------------------|---------------------------|---------------------------|
| U.S. Department of Health and Human Service | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Community Alternative Fundng System | FY 01 | 93.778 | 53,847 | | 53,847 | |
| Federal Emergency Management Agency | | | | | | |
| <i>Passed Through Ohio Department of Public Safety</i> | | | | | | |
| Public Assistant Grant | 1097-DR- 29-91000 | 83.544 | | | 1,926 | |
| Total Federal Awards | | | <u>\$2,306,590</u> | <u>\$67,108</u> | <u>\$2,386,032</u> | <u>\$64,228</u> |

The notes to the Federal Schedule of Awards Expenditures are an integral part of this schedule.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

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

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair 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, 2001, the District had no significant food commodities in inventory.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 330-797-9949

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

East Liverpool City School District
Columbiana County
500 Maryland Street
East Liverpool, Ohio 43920

To the Board of Education:

We have audited the financial statements of the East Liverpool City School District, Columbiana County as of and for the year ended June 30, 2001, wherein we noted the District adopted Governmental Accounting Statement No.33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 East Liverpool City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 01-11215-001 and 01-11215-002. We also noted certain immaterial instances that we have reported to management of the District in a separate letter dated May 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Liverpool City School 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. However, we noted a certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 01-11215-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable condition that are also considered to be material weaknesses. However, we considered the reportable conditions described above, item 01-11215-003, to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated May 21, 2002.

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



Jim Petro
Auditor of State

May 21, 2002



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

East Liverpool City School District
Columbiana County
500 Maryland Street
East Liverpool, Ohio 43920

To the Board of Education:

Compliance

We have audited the compliance of East Liverpool City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. East Liverpool City School 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 East Liverpool City School District's management. Our responsibility is to express an opinion on East Liverpool City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards of the United States of America; 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 East Liverpool City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Liverpool City School District's compliance with those requirements.

In our opinion, East Liverpool City School 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, 2001.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 21, 2002

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
7/1/00 THROUGH 6/30/01**

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

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion. | UNQUALIFIED |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level. (GAGAS)? | YES |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level. (GAGAS)? | NO |
| (d)(1)(iii) | Was there any reported non-compliance at the financial statement level (GAGAS)? | YES |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | NO |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | NO |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion. | UNQUALIFIED |
| (d)(1)(vi) | Are there any reportable findings under § .510? | NO |
| (d)(1)(vii) | Major Programs : Title I | CFDA# 84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs: | A>\$300,000 B-ALL REMAINING PROGRAMS |
| (d)(1)(ix) | Low Risk Auditee? | YES |
| | | |

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
JULY 1, 2000 THROUGH JUNE 30, 2001**

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

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

Finding Number

01-11215-001

Ohio Revised Code § 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions used in making the original appropriation measure. Rulings filed in two separate cases held that a board or officer whose judgement and discretion is required was chosen because they were deemed fit and competent to exercise that judgement and discretion and unless power to substitute another in their place has been given, such board shall not delegate their duties to another. Following such reasoning a local government's governing board is prohibited from delegating duties statutorily assigned to it, such as the ability to amend appropriations by this code section.

Auditor of State Bulletin 97-010 states that the legislative body may not delegate its authority to establish appropriations. The appropriation process is a function of the legislative authority that must be performed by those specific individuals elected to fulfill the responsibility. However, officials may be given authority to allocate or re-allocate funds within a legally adopted appropriation. The District's legal level of control is the fund function level.

The Board granted blanket authorization to the Treasurer to allocate or re-allocate funds above the established legal level of control. At the last regular meeting of fiscal year 2001, the Board also authorized the Treasurer to run the set balance budgetary program without approving the appropriations which were altered by the program at the fund function level.

Failure to maintain control of the budgetary cycle by delegating their duties to another has caused inaccurate budgetary information being presented in the financial statements. The Board of Education should amend or supplement the District's appropriation measure at the established legal level of control. Each amendment or supplement should be specifically documented in the minutes of the Board meetings.

Finding Number

01-11215-002

Ohio Administrative Code § 117-2-02(C) states that a school district shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution. The annual appropriations were passed by the Board of Education at the fund/function level for all District funds. The fund/function amounts posted to the appropriations ledger for several funds did not equal the amount appropriated for those individual fund function accounts per the resolution.

As the appropriation resolution establishes the legal spending authority of the District and the appropriation ledger provides the process by which the District controls spending, it is necessary that the amounts appropriated by the Board of Education are posted accurately to the appropriation ledger. The Treasurer should post to each appropriation account and/or fund an amount equal to the amount appropriated for that account or fund in the annual appropriation resolution.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
JULY 1, 2000 THROUGH JUNE 30, 2001**

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

| | |
|-----------------------|---------------------|
| Finding Number | 01-11215-003 |
|-----------------------|---------------------|

Estimated Resources

The Treasurer failed to post estimated resources as certified by the budget commission to the District's accounting system. As a result, budget vs. actual comparisons made from the District's ledgers were not an accurate reflection of the District's financial activity. Inaccurate data does not provide the District with an effective means of monitoring the budget and diminishes the ability of the Board to manage the finances of the District.

All budgetary information certified by the Budget Commission or authorized by the Board of Education should be routinely posted to the records. The Treasurer should continuously supervise this function by inspecting official documents from the county budget commission and matching the information against the District's ledgers. Complete and accurate information would provide an effective means of monitoring the budget and managing the financial activity of the District at any given time.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|------------------------------|--|
| <i>Finding Number</i> | |
| NONE | |

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i> |
|-----------------------|--|-------------------------|---|
| 00-11215-001 | Ohio Revised Code Section 5705.412, failed to execute a 412 certificate for permanent appropriations | Yes | |
| 00-11215-002 | Ohio Revised Code Section 5705.41(B), Special Revenue expenditures exceeded appropriations | Yes | |
| 00-11215-003 | Ohio Revised Code 5705.39, Capital Projects fund type appropriations exceeded estimated resources. | Yes | |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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EAST LIVERPOOL CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2002**