



**Auditor of State
Betty Montgomery**

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 2002	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds For the Year Ended June 30, 2002.....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget - Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types For The Year Ended June 30, 2002.....	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity/Fund Balance All Proprietary Fund Types and Non-Expendable Trust Funds For the Year Ended June 30, 2002.....	10
Combined Statement of Cash Flows All Proprietary Fund Types and Non-Expendable Trust Funds For The Year Ended June 30, 2002.....	11
Notes to the General-Purpose Financial Statements	13
Schedule of Federal Awards Expenditures	40
Notes to the Schedule of Federal Awards Expenditures	41
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	43
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	45
Schedule of Findings.....	47
Schedule of Prior Findings	49

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Bellefontaine City School District, Logan County (the "District"), as of and for the year ended June 30, 2002, 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 Bellefontaine City School District, Logan County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it 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 that reads "Betty Montgomery". The signature is written in a cursive style with a large, prominent initial "B".

Betty Montgomery
Auditor of State

February 14, 2003

This page intentionally left blank.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,317,360	\$424,711	\$828,788	\$581,728
Investments:				
Investments				
Receivables:				
Taxes	6,978,188		1,193,298	223,434
Accounts	24,545	2,065		
Intergovernmental	60,596	190,452		
Accrued Interest	151			
Interfund Receivable	44,872			
Materials and Supplies Inventory				
Prepaid Items	39,528			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	119,716			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for				
Retirement of Long-Term Obligations				
Amount to be Provided From General				
Government Resources				
Total Assets and Other Debits	<u>11,584,956</u>	<u>617,228</u>	<u>2,022,086</u>	<u>805,162</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	26,167	25,310		105,088
Accrued Wages and Benefits	2,159,717	61,289		
Compensated Absences Payable	24,603			
Interfund Payable		44,872		
Intergovernmental Payable	264,436	8,371		
Deferred Revenue	6,665,241	180,452	1,135,321	211,489
Due to Students				
Claims Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>9,140,164</u>	<u>320,294</u>	<u>1,135,321</u>	<u>316,577</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	116,850	65,794		159,794
Reserved for Prepaid Items	39,528			
Reserved for Debt Service Principal			828,788	
Reserved for Contributions				
Reserved for Property Taxes	312,947		57,977	11,945
Reserved for Textbooks & Instructional Materials	39,023			
Reserved for Budget Stabilization	80,693			
Unreserved:				
Designated	118,165			
Unreserved, Undesignated	1,737,586	231,140		316,846
Total Fund Equity and Other Credits	<u>2,444,792</u>	<u>296,934</u>	<u>886,765</u>	<u>488,585</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$11,584,956</u>	<u>\$617,228</u>	<u>\$2,022,086</u>	<u>\$805,162</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$10,582	\$442,084	\$155,405			\$6,760,658
		9,489			9,489
					8,394,920
244	495	580			27,929
39,398					290,446
					151
					44,872
37,867					37,867
					39,528
					119,716
294,732			25,938,612		26,233,344
(231,353)					(231,353)
				886,765	886,765
				13,097,886	13,097,886
<u>151,470</u>	<u>442,579</u>	<u>165,474</u>	<u>25,938,612</u>	<u>13,984,651</u>	<u>55,712,218</u>
					157,942
1,377					2,299,937
78,931				1,388,232	1,449,584
36,749					44,872
				130,063	438,443
35,573					8,192,503
		91,330			91,330
	313,302				313,302
				335,000	335,000
				12,131,356	12,131,356
<u>152,630</u>	<u>313,302</u>	<u>91,330</u>		<u>13,984,651</u>	<u>25,454,269</u>
			25,938,612		25,938,612
1,974					1,974
(3,134)	129,277				126,143
					342,515
					39,528
					828,788
		30,000			30,000
					382,869
					39,023
					80,693
					118,165
		44,067			2,329,639
<u>(1,160)</u>	<u>129,277</u>	<u>74,144</u>	<u>25,938,612</u>		<u>30,257,949</u>
<u>\$151,470</u>	<u>\$442,579</u>	<u>\$165,474</u>	<u>\$25,938,612</u>	<u>\$13,984,651</u>	<u>\$55,712,218</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$10,685,017	\$1,231,565
Interest	75,726	
Tuition and Fees	102,755	
Rent	2,169	
Extracurricular Activities		214,839
Property & Other Local Taxes	6,761,409	
Miscellaneous	18,317	320,030
Total Revenues	17,645,393	1,766,434
Expenditures:		
Instruction:		
Regular	8,115,813	519,482
Special	1,810,947	318,727
Vocational	674,316	
Other	351,378	12,035
Support services:		
Pupils	753,695	69,804
Instructional Staff	763,396	316,841
Board of Education	149,366	
Administration	1,400,458	92,372
Fiscal	329,200	1,500
Business	163,997	
Operation and Maintenance of Plant	1,607,118	16,485
Pupil Transportation	419,168	
Central	229,460	12,534
Non-Instructional Services	6,886	1,000
Extracurricular activities	288,025	154,862
Capital Outlay	180	
Debt Service:		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	17,063,403	1,515,642
Excess of Revenues Over (Under) Expenditures	581,990	250,792
Other Financing Sources and Uses		
Operating Transfers In		
Operating Transfers Out	(71,433)	
Total Other Financing Sources (Uses)	(71,433)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	510,557	250,792
Fund Balance at Beginning of Year	1,934,235	46,142
Fund Balance at End of Year	\$2,444,792	\$296,934

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$100,928	\$109,784		\$12,127,294
	34,926	898	111,550
			102,755
			2,169
		4,390	219,229
1,091,959	216,062		8,069,430
	559,962	1,039	899,348
<u>1,192,887</u>	<u>920,734</u>	<u>6,327</u>	<u>21,531,775</u>
	237,750		8,873,045
			2,129,674
	7,192		681,508
			363,413
		1,241	824,740
			1,080,237
			149,366
			1,492,830
23,881	4,703		359,284
			163,997
	276,329		1,899,932
			419,168
		6,953	248,947
		1,200	9,086
			442,887
	1,255,369		1,255,549
540,000			540,000
556,529			556,529
<u>1,120,410</u>	<u>1,781,343</u>	<u>9,394</u>	<u>21,490,192</u>
<u>72,477</u>	<u>(860,609)</u>	<u>(3,067)</u>	<u>41,583</u>
93,253			93,253
	(21,820)		(93,253)
<u>93,253</u>	<u>(21,820)</u>		<u>0</u>
165,730	(882,429)	(3,067)	41,583
721,035	1,371,014	42,743	4,115,169
<u>\$886,765</u>	<u>\$488,585</u>	<u>\$39,676</u>	<u>\$4,156,752</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>		
	<u>General</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$10,638,823	\$10,644,099	\$5,276
Interest	74,000	76,145	2,145
Tuition and Fees	78,000	81,855	3,855
Extracurricular Activities			
Property & Other Local Taxes	6,690,000	6,693,479	3,479
Miscellaneous	64,000	65,848	1,848
Total Revenues	<u>17,544,823</u>	<u>17,561,426</u>	<u>16,603</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,558,916	7,849,549	709,367
Special	2,000,000	1,718,088	281,912
Vocational	700,000	676,279	23,721
Other	355,000	352,197	2,803
Support services:			
Pupils	750,000	739,968	10,032
Instructional Staff	750,000	750,264	(264)
Board of Education	150,000	157,276	(7,276)
Administration	1,500,000	1,406,461	93,539
Fiscal	350,000	329,549	20,451
Business	175,000	170,076	4,924
Operation and Maintenance of Plant	1,730,000	1,678,676	51,324
Pupil Transportation	475,000	456,487	18,513
Central	218,000	226,242	(8,242)
Non-Instructional Services	10,500	10,436	64
Extracurricular activities	290,000	286,691	3,309
Capital Outlay	200	180	20
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>18,012,616</u>	<u>16,808,419</u>	<u>1,204,197</u>
Excess of Revenues Over (Under) Expenditures	<u>(467,793)</u>	<u>753,007</u>	<u>1,220,800</u>
Other Financing Sources and Uses			
Operating Transfers In			
Operating Transfers Out	(71,433)	(71,433)	
Refund of Prior Year Receipts			
Total Other Financing Sources (Uses)	<u>(71,433)</u>	<u>(71,433)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(539,226)	681,574	1,220,800
Fund Balances at Beginning of Year	3,462,262	3,462,262	
Prior Year Encumbrances Appropriated	195,096	195,095	
Fund Balance at end of Year	<u>\$3,118,132</u>	<u>\$4,338,931</u>	<u>\$1,220,800</u>

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

Governmental Fund Types						Governmental Fund Types		
Special Revenue			Debt Service			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$1,583,921	\$1,245,162	(\$338,759)	\$100,928	\$100,928		\$113,220	\$113,220	
						49,965	51,530	1,565
249,134	216,406	(32,728)						
431,139	349,146	(81,993)	1,085,159	1,085,159		213,316	213,316	
2,264,194	1,810,714	(453,480)	1,186,087	1,186,087		559,736	559,962	226
						936,237	938,028	1,791
738,623	539,749	198,874				255,482	243,318	12,164
411,877	313,694	98,183						
2,000	1,013	987				11,242	7,192	4,050
11,754	11,754							
107,319	69,995	37,324						
624,718	351,398	273,320						
124,768	92,983	31,785						
5,000	1,500	3,500	25,001	23,881	1,120	5,000	4,703	297
30,807	18,682	12,125				387,247	375,148	12,099
13,093	12,027	1,066						
1,000	1,000							
190,548	182,211	8,337						
						1,938,636	1,802,651	135,985
			540,000	540,000				
			556,529	556,529				
2,261,507	1,596,006	665,501	1,121,530	1,120,410	1,120	2,597,607	2,433,012	164,595
2,687	214,708	212,021	64,557	65,677	1,120	(1,661,370)	(1,494,984)	166,386
			93,253	93,253				
(32,068)	(28,783)	3,285				(21,820)	(21,820)	
(32,068)	(28,783)	3,285	93,253	93,253		(21,820)	(21,820)	
(29,381)	185,925	215,306	157,810	158,930	1,120	(1,683,190)	(1,516,804)	166,386
(47,892)	(47,892)		669,858	669,858		230,416	230,416	
150,695	150,702					1,601,997	1,602,005	
\$73,422	\$288,735	\$215,306	\$827,668	\$828,788	\$1,120	\$149,223	\$315,617	\$166,386

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:				
Sales	\$585,295			\$585,295
Charges for Services		2,273,263		2,273,263
Interest			1,300	1,300
Total Operating Revenues	<u>585,295</u>	<u>2,273,263</u>	<u>1,300</u>	<u>\$2,859,858</u>
Operating Expenses:				
Salaries	335,489			335,489
Fringe Benefits	166,658			166,658
Purchased Services	8,108	2,293,925		2,302,033
Materials and Supplies	475,572			475,572
Depreciation	6,819			6,819
Other	726		2,400	3,126
Total Operating Expenses	<u>993,372</u>	<u>2,293,925</u>	<u>2,400</u>	<u>3,289,697</u>
Operating (Loss)	(408,077)	(20,662)	(1,100)	(429,839)
Non-Operating Revenues (Expenses):				
Federal Donated Commodities	87,534			87,534
Interest	366	5,728		6,094
Federal and State Subsidies	282,081			282,081
Total Non-Operating Revenues and Expenses	<u>369,981</u>	<u>5,728</u>		<u>375,709</u>
Net Income (Loss)	(38,096)	(14,934)	(1,100)	(54,130)
Retained Earnings / July 1, 2001 (Restated Note 3)	34,962	144,211	35,568	214,741
Retained Earnings / June 30, 2002	(3,134)	129,277	34,468	160,611
Contributed Capital at Beginning of Year	0			
Capital Contributions During the Year, net	1,974			
Contributed Capital at End of Year	1,974			
Total Fund Equity/Fund Balance at Year End	<u>(\$1,160)</u>	<u>\$129,277</u>	<u>\$34,468</u>	<u>\$160,611</u>

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$585,417			\$585,417
Cash Received from Charges for Services		2,273,064		2,273,064
Cash Payments to Suppliers for Goods and Service	(385,021)			(385,021)
Cash Payments for Contract Services	(8,108)	(2,306,165)		(2,314,273)
Cash Payments for Employee Services	(308,312)			(308,312)
Cash Payments for Employee Benefits	(162,996)			(162,996)
Other Cash Payments	(726)		(2,400)	(3,126)
Net Cash Provided (Used) for Operating Activities	<u>(279,746)</u>	<u>(33,101)</u>	<u>(2,400)</u>	<u>(315,247)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	308,878			308,878
Advance Out	(24,638)			(24,638)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>284,240</u>			<u>284,240</u>
Cash Flows from Investing Activities:				
Interest Received	366	5,728	1,300	7,394
Net Increase (Decrease) in Cash and Cash Equivalents	4,860	(27,373)	(1,100)	(23,613)
Cash and Cash Equivalents at Beginning of Year	5,722	469,457	35,568	510,747
Cash and Cash Equivalents at End of Year	<u>10,582</u>	<u>442,084</u>	<u>34,468</u>	<u>487,134</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Operating Income (Loss)	(408,077)	(20,662)	(1,100)	(429,839)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	6,819			6,819
Donated Commodities Received During the Year	87,534			87,534
Nonexpendable Trust Interest			(1,300)	(1,300)
(Increase) Decrease in Assets:				
Material and Supplies Inventory	(1,126)			(1,126)
Accounts Receivable	5,602	(199)		5,403
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	9,425			9,425
Intergovernmental Payable	(290)			(290)
Claims Payable		(12,240)		(12,240)
Accrued Wages and Benefits	21,704			21,704
Accounts Payable	(1,337)			(1,337)
Total Adjustments	<u>128,331</u>	<u>(12,439)</u>	<u>(1,300)</u>	<u>114,592</u>
Net Cash Provided (Used) for Operating Activities	<u>(\$279,746)</u>	<u>(\$33,101)</u>	<u>(\$2,400)</u>	<u>(\$315,247)</u>
Total Cash and Cash Equivalents - Trust and Agency Investments - Trust and Agency				\$155,405 9,489
Cash and Cash Equivalents - Agency Fund				(90,750)
Cash and Cash Equivalents - Expendable Trust				<u>(39,676)</u>
Cash and Cash Equivalents - Non-Expendable Trust				<u>\$34,468</u>

During the year there were noncash capital contributions to the Enterprise Fund in the amount of \$1,974 for fixed assets.

This page intentionally left blank.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Bellefontaine City School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the state of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 31 square miles in Logan County, including all of the City of Bellefontaine, Ohio, and portions of surrounding townships.

The District is the 167th largest in the state of Ohio (among 612 school districts) in terms of enrollment. It currently operates four elementary schools, one middle school and one comprehensive high school. The District is staffed by 118 non-certificated employees, 214 certificated employees to provide services to approximately 2,832 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *"The Financial Reporting Entity"*. For financial reporting purposes, management has considered all potential component units by applying the criteria set forth in GASB Statement 14. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the Board's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units that should be blended or discretely presented in the financial statements of the District.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is associated with three significant types of organizations including three jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations include the Ohio Hi-Point Career Center, West Central Ohio Special Education Regional Resource Center, and Logan County Education Foundation, the Joint Recreation District (Blue Jacket Park) and the Ohio School Boards Association Workers' Compensation Group Rating Plan.

These organizations are presented in Notes 15, 16, and 17 to the general purpose financial statements.

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

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and management requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District has the following fund types and account groups:

1. Governmental Funds

Governmental Funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and modified accrual basis of accounting. The measurement focus of governmental funds 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 amortization are not recognized in governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means collectible within the current period or soon thereafter to pay liabilities of the current period. The government considers all revenues to be available if they are collected within sixty days after year end, therefore generally only current assets and current liabilities are included on the balance sheet. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to liquidated with expendable available financial resources. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations.

On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include time requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

On the accrual basis of accounting expenses are recognized at the time they are incurred.

Governmental funds include the following fund types:

General Fund

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

2. Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The fair value of donated commodities received is reported as Federal Donated Commodities (non-operating revenue). Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Opinions and Interpretations, Accounting Standards Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict GASB pronouncements. Proprietary funds include the following fund types:

Enterprise Fund Types

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

Internal Service Fund Types

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Expendable Trust Funds

The Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets when both the principal and interest may be spent.

Nonexpendable Trust Funds

The Nonexpendable Trust Fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting.

Nonexpendable trust funds account for assets of which the principal may not be spent.

Agency Funds

Agency Funds are custodial in nature and do not involve results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity.

4. Account Groups

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds within an established specific timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution; all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary 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.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget

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

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

2. Estimated Resources

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure.

On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

3. Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on the final assessed values of tax rates or a certificate saying that no new certificate is necessary, by October 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the 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. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, supplemental appropriations were legally enacted.

The budgetary figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all supplemental appropriations.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental funds.

5. Lapsing of Appropriations

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

D. Cash and Investments

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

During fiscal year 2002, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, and the liquid asset management account.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$75,726, which includes \$3,408 assigned from other District funds. For purposes of the combined statements 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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Interfund Receivable/Payable."

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventoried items is recognized as an expenditure when purchased in governmental funds and an expense when used in proprietary funds.

G. Property, Plant, and Equipment; and Depreciation

1. General Fixed Assets Account Group

General fixed assets used in governmental fund types of the District are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Equipment	5-20

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
State Bus Purchase Program
State Property Tax Relief

Special Revenue Funds

Education Management Information System (EMIS)

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Children's Trust
Gifted Education
Parent Project
Disadvantaged Pupils
OneNet
SchoolNet Professional Development
Ohio Reads
Miscellaneous State Grants
Eisenhower Math and Science
Title VI-B
Title I
Title VI
Drug Free Schools
Title VI-R
Miscellaneous Federal Grants

Capital Project Funds

SchoolNet
Classroom Facilities

Reimbursable Grants

General Fund

Vocational Education Travel/Salary

Capital Project Funds

Vocational Equipment

Enterprise Funds

National School Lunch Program
National School Milk Program
Government Donated Commodities

Grants and entitlements amounted to approximately 49 percent of the District's operating revenues during the 2002 fiscal year.

I. Long-Term Obligations

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through time off or some other means such as cash payment at termination or retirement. Severance benefits are accrued using the vesting method.

The liability for severance payments is based upon the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive severance termination payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and termination payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable salary related payments. The District has recorded a liability in the General Long Term Debt Account Group for the vesting termination benefits for all employees within 10 years of retirement.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligation Account Group. In propriety funds, the entire amount of eligible compensated absences is reported as a fund liability.

K. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2002 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.

M. 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 amounts required by statute to be set-aside by the District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves and Designations

The 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, prepaid items, debt service principal, contributions, property taxes, textbook and instructional materials, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbooks and instructional materials represents money required to be set-aside by statute. The reserve for budget stabilization represents the set aside required for Bureau of Workers' Compensation refunds. The reserve for contributions signifies the legal restrictions on the use of principal.

The designated fund balance represents money other than Bureau of Workers' Compensation refunds which was previously required by statute to be set-aside for budget stabilization. However, S.B. 345 gave the District the option to designate this money for budget stabilization.

O. Estimates

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

P. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they do not represent consolidated financial information and 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. Interfund eliminations have not been made in the aggregation of this data.

3. PRIOR PERIOD ADJUSTMENT – CORRECTION OF AN ERROR

The 2001 balance sheet improperly recorded deferred revenue in the Enterprise (Food Service) Fund. Implementation of GASB 33 should have eliminated the deferred revenue.

The correction of an accounting error had the following effect on fund equity as it was previously reported as of June 30, 2001:

Net Income June 30, 2001	\$ 3,319
Fund Equity June 30, 2001	10,345
Cumulative Effect of an Accounting Correction	<u>24,617</u>
Fund Equity June 30, 2001as Restated	<u>\$34,962</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

3. PRIOR PERIOD ADJUSTMENT – CORRECTION OF AN ERROR (Continued)

The 2001 balance sheet overstated claims payable in the Internal Service (Self-Insurance) Fund.

The correction of an accounting error had the following effect on fund equity as it was previously reported as of June 30, 2001:

Net Income June 30, 2001	\$(128,437)
Fund Equity June 30, 2001	(91,099)
Cumulative Effect of an Accounting Correction	<u>235,310</u>
Fund Equity June 30, 2001as Restated	<u>\$ 144,211</u>

4. ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Equity

Fund balances and/or fund equity/retained earnings at June 30, 2002, included the following individual deficits:

Fund	Accountability Deficit fund balance/Retained Earnings (GAAP Basis)	Compliance Deficit Fund Balance/Retained Earnings (Cash Basis)
<u>Special Revenue Funds</u>		
Other Grants	\$20,673	\$44,872
Management Information System	2,868	
Disadvantaged Pupil Impact Aid	954	
Title VI-B	4,506	
Title I	38,910	
<u>Enterprise Funds</u>		
Food Service	37,871	

The above fund deficits (Accountability column) did not exist on the cash basis of accounting in accordance with Ohio Law. These GAAP fund balance deficits will be funded by anticipated future revenues not recognized and recorded at June 30.

The above fund deficit (Compliance column) did exist on a cash basis of accounting and is a violation of the Ohio Revised Code Section 5705.10.

5. EQUITY IN POOLED CASH 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 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, 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the exception that it will be held to maturity.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

At fiscal year end, the District had \$160 in undeposited cash on hand, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

Deposits: At year-end, the carrying amount of the District's deposits was \$2,214,436 and the bank balance was \$2,223,488. Of the bank balance \$375,637 was covered by federal depository insurance and \$1,847,851 was uncollateralized with securities held by its agent but not in the District's name. All deposits were in institutions that are members of the Federal Reserve System.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterpart's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart or by its trust department but not in the District's name.

The District's investment in Star Ohio, which is the State Treasurer's Investment Pool and deferred compensation, is not categorized because it is not evidenced by securities that exist in physical or book entry form. The investment pool pro rates earnings based on invested balances.

<u>Investments</u>	<u>Category 3</u>	<u>Cost Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$3,234,113	\$3,234,113	\$3,234,113
Liquid Asset Management	1,238,304	1,238,304	1,239,533
Total Investments Categorized	<u>\$4,472,417</u>	<u>\$4,472,417</u>	4,473,646
STAR Ohio			201,621
Total All Investments			<u>\$4,675,267</u>

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

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$6,880,374	\$9,489
Cash on Hand	(160)	
Certificate of Deposit	9,489	(9,489)
Investments:		
Repurchase Agreement	(3,234,113)	3,234,113
STAR Ohio	(201,621)	201,621
Liquid Asset Management	(1,239,533)	1,239,533
GASB Statement No. 3	<u>\$2,214,436</u>	<u>\$4,675,267</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

6. INTERFUND ASSETS/LIABILITIES

Interfund Receivables/Payables at June 30, 2002 were:

	Interfund Receivables	Interfund Payables
General Fund	\$44,872	
Special Revenue		\$44,872
Total All Funds	\$44,872	\$44,872

Interfund Receivables and Payables reflected on the combined balance sheet represent the amounts required to eliminate negative fund balances on the cash basis. Since recording this receivable increases the asset portion of the balance sheet, the cash and cash equivalent line item is reduced accordingly in order to properly reflect total assets, therefore the interfund receivable or payable is a reconciling item when comparing cash on the balance sheet to the cash fund balance on the combined statement of revenues, expenditures, and changes in fund balances budget-actual (non-GAAP budgetary basis).

7. PROPERTY TAXES

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

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

Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property railroads, which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second-Half Collections		2002 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other RE	\$177,574,400	76%	\$203,108,660	78%
Public Utility	13,813,520	6%	9,856,580	4%
Tangible Personal Property	40,847,580	18%	46,561,066	18%
Total Assessed Value	\$232,235,500	100%	\$259,526,306	100%
Tax rate per \$1,000 of assessed valuation	\$50.38		\$49.53	

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002 was \$312,947 in the General Fund, \$57,977 in the Debt Service Fund, and \$11,945 in the Capital Projects Fund.

8. RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and entitlements, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows. For Intergovernmental Revenues only, the portion of receivables collected in the "available period" is recorded in the financial records.

	Amounts
<u>General Fund</u>	
Taxes	\$6,978,188
Accounts	24,545
Intergovernmental	60,596
Accrued Interest	151
Interfund	44,872
<u>Special Revenue Fund</u>	
Accounts	2,065
Intergovernmental	190,452
<u>Debt Service Fund</u>	
Taxes	1,193,298
<u>Capital Projects Fund</u>	
Taxes	223,434
Grand Total	\$8,717,601

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

9. PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land/Improvements	\$601,188			\$601,188
Buildings	8,383,657	10,865,222		19,248,879
Furniture/Equipment	5,318,737	\$69,875	\$11,155	5,377,457
Buses	590,385			590,385
Vehicles	110,716	9,987		120,703
Construction in Progress	9,112,804		9,112,804	
Totals	\$24,117,487	\$10,945,084	\$9,123,959	\$25,938,612

A summary of the Proprietary Fund fixed assets at June 30, 2002 follows:

	Enterprise Funds
Property, Plant and Equipment	\$294,732
Less Accumulated Depreciation	(231,353)
Net Fixed Assets-Proprietary Fund	\$63,379

10. LONG TERM DEBT

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund.

The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt facilities tax levies.

A. The following is a description of the District's bonds outstanding as of June 30, 2002:

1. 1993 Advanced Refunding Bond Issue \$4,923,935

During December 1993, the District issued \$4,923,935 bonds for the purpose of advance refunding bonds titled "Bellefontaine City School District, Logan county, Ohio General Obligation Bonds," dated March 1, 1990, in the original principal amount of \$5,300,000, issued for the purpose of renovating the middle school, furnishing and equipping the same and improving the site thereof, and removing asbestos at various buildings. The bonds were issued for an eighteen-year period with final maturity at December 1, 2011. The bond issue consisted of \$4,000,000 of Current Interest Serial Bonds with interest rates ranging from 10.3 to 10.4% (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 5.1% to 5.6%. The bonds will be retired from the debt service fund.

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning June 1, 1994 until maturity or earlier redemption.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

10. LONG TERM DEBT (Continued)

The Capital Appreciation Bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The Capital Appreciation Bonds will mature in fiscal years 2004 to 2011. The maturity amount of the bonds is \$3,900,000. For fiscal year 2002, \$210,700 was accreted for a total bond value of \$2,186,356.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 6/30/01</u>	<u>Accretion In 2002</u>	<u>Retired In 2002</u>	<u>Bonds Outstanding 6/30/02</u>
Facilities Serial Bond	4.87%	11/93	12/11	\$1,365,000		\$440,000	\$925,000
Capital Appreciation Bonds	Various	11/93	12/4-12/11	1,975,656	\$210,700		2,186,356
Total Bond Issue				<u>\$3,340,656</u>	<u>\$210,700</u>	<u>\$440,000</u>	<u>\$3,111,356</u>

2. 1999 School Facilities Construction and Improvement Bonds

On June 15, 1999, Bellefontaine City School District issued \$9,070,000 in voted general obligation bonds for additions and renovations to the High School. The bond issue consists of \$5,215,000 in serial bonds and \$3,855,000 in term bonds. The serial bonds have interest rates from 3.75% to 5.75% and yield rates from 3.75% to 5.3%. The serial bonds mature each year beginning in 2000 and ending in 2019. The term bonds have a 5.5% interest rate with final maturity on December 1, 2026. Bonds maturing after December 1, 2009 are subject to redemption at the option of the District at the redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the date of redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2009 through November 30, 2010	101%
December 1, 2010 and thereafter	100%

The Term Bonds maturing on December 1, 2019* are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed*</u>
2014	\$335,000
2015	350,000
2016	370,000
2017	390,000
2018	415,000

The remaining principal amount of such Bonds (\$435,000*) will mature at stated maturity on December 1, 2019*.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

10. LONG TERM DEBT (Continued)

The Term Bonds maturing on December 1, 2026* are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed*
2020	\$460,000
2021	485,000
2022	510,000
2023	535,000
2024	560,000
2025	590,000

The remaining principal amount of such Bonds (\$620,000*) will mature at stated maturity on December 1, 2026*. Principal amounts above indicated with (*) are preliminary amounts and are subject to change.

Purpose	Interest Rates	Issue Date	Maturity Date	Bonds Outstanding 6/30/01	Issued In 2002	Retired In 2002	Bonds Outstanding 6/30/02
Facilities	5.35%	06/99	12/26	\$9,045,000		\$25,000	\$9,020,000

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year(s) Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2003	\$590,000	\$516,056	\$1,106,056
2004	615,000	489,955	1,104,955
2005	530,122	582,928	1,113,050
2006	533,198	612,107	1,145,305
2007	513,268	637,967	1,151,235
2008-2012	2,399,768	3,386,074	5,785,842
2013-2017	1,675,000	1,717,663	3,392,663
2018-2022	2,375,000	1,139,100	3,514,100
2023-2027	2,900,000	415,800	3,315,800
Total	\$12,131,356	\$9,497,650	\$21,629,006

C. The following is a description of the District's long-term note transactions for the year ended June 30, 2002:

Purpose	Interest Rates	Issue Date	Maturity Date	Bonds Outstanding 6/30/01	Issued In 2002	Retired In 2002	Bonds Outstanding 6/30/02
Energy Conservation	4.90%	12/95	12/05	\$410,000		\$75,000	\$335,000

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

10. LONG TERM DEBT (Continued)

D. The following is a summary of the District's future annual debt service requirements to maturity for House Bill 264 energy conservation notes:

Year Ending June 30	Principal on Energy Conservation Notes	Interest on Energy Conservation Notes	Total
2003	\$80,000	\$14,455	
			\$94,455
2004	80,000	10,535	90,535
2005	85,000	6,493	91,493
2006	90,000	2,205	92,205
Total	<u>\$335,000</u>	<u>\$33,688</u>	<u>\$368,688</u>

E. In December 1993, the District defeased a bond issue by creating an irrevocable escrow account. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in an escrow account. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's General Long-Term Obligation Account Group since December 1993. On December 1, 2001, the bonds were called and principal and interest redeemed at 101% in the amount of \$3,801,600.

F. The following is a summary of the District's total debt for the fiscal year ending June 30, 2002.

	Beginning Balance July 1, 2001	Additions	Deletions	Ending Balance June 30, 2002
<u>Bonds & Notes Payable:</u>				
1993 School Improvement Bonds	\$1,365,000		\$440,000	\$925,000
1993 Capital Appreciation Bonds	1,975,656	\$210,700		2,186,356
1999 School Improvement Bonds	9,045,000		25,000	9,020,000
Total Bonds Payable	12,385,656	\$210,700	465,000	12,131,356
Energy Conservation Notes	410,000		75,000	335,000
Total Energy Conservation Notes	410,000		75,000	335,000
Total Bonds & Notes Payable	12,795,656	210,700	540,000	12,466,356
<u>Other Long Term Obligations:</u>				
Termination Benefits	1,326,338		33,265	1,293,073
Vacation	94,484	675		95,159
Intergovernmental Payable	133,336		3,273	130,063
Total Other Obligations	1,554,158	675	36,538	1,518,295
Total Long Term Obligations	<u>\$14,349,814</u>	<u>\$211,375</u>	<u>\$576,538</u>	<u>\$13,984,651</u>

G. The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$12,054,798, (including available funds of \$828,788) and an unvoted debt margin of \$259,526.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

11. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of the Food Service and Uniform Supply Funds. Selected segment information for the year ended June 30, 2002 is as follows:

	Food Service	Uniform School Supplies	Total
Operating Revenue	\$520,041	\$65,254	\$585,295
Expenses Before Depreciation	918,454	68,099	986,553
Depreciation Expense	6,819		6,819
Operating Income (Loss)	(407,476)	(2,845)	(408,077)
Federal Donated Commodities	85,947		87,534
Interest	366		366
Grants	282,081		282,081
Net Income (Loss)	(39,082)	(2,845)	(38,096)
Current Capital Contributions	1,974		1,974
Net Working Capital	(34,079)	6,289	(27,790)
Total Assets	129,546	7,134	151,470
Total Liabilities	167,417	845	152,630
Total Equity	(37,871)	6,289	(1,160)

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$876,932, \$869,739, and \$565,810 respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$225,400, is recorded as a liability within the respective funds.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple- employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 4.2 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the years ended June 30, 2002, 2001, and 2000 were \$117,299, \$84,429, and \$110,959 respectively; 45 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$164,928, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2002, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the 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 \$415,389. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001.

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 2002, the minimum pay was established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$218,717, during the 2002 fiscal year.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

14. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

14. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Budget Basis	\$681,574	\$185,925	\$158,930	(\$1,516,804)
Net Adjustment for Revenue Accruals	83,967	(15,497)	6,800	(18,523)
Increase in FV of investments				1,229
Net Adjustment for Expenditure Accruals	(398,001)	(10,740)		386,787
Adjustment of Encumbrances	143,017	91,104		264,882
GAAP Basis	<u>\$510,557</u>	<u>\$250,792</u>	<u>\$165,730</u>	<u>(\$882,429)</u>

15. RISK MANAGEMENT

A. Insurance Through Commercial Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Insurance Provided Partially Through Self-Insurance Fund

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self-Insurance Fund in the Internal Service Fund Type to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$60,000 per claim per employee. The District purchases commercial insurance for claims in excess of coverage provided by this Fund and for other risks of loss including annual aggregate stop loss coverage for annual claims paid. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payment to the Self-Insurance Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. The claims liability of \$313,302 reported in the Fund at June 30, 2002 is based upon the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of financial statements and the amount of the loss can be reasonably estimated. Claims in the Fund's claims liability including estimate for claims incurred but not reported (IBNR) during Fiscal 2001 and 2002 were:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

15. RISK MANAGEMENT (Continued)

	<u>July 1 Liability</u>	<u>Current-Year Claims And Changes in Estimates</u>	<u>Claims Payments</u>	<u>June 30 Liability</u>
2000-2001	\$220,931	\$1,732,321	\$1,627,710	\$325,542
2001-2002	\$325,542	\$2,293,925	\$2,306,165	\$313,302

A three year comparison of the Districts cash and cash equivalents balances compared to the total claims payable and IBNR is as follows:

	2002	2001	2000
Cash and Cash Equivalents	442,084	469,457	258,045
Total Claims Payable and IBNR	313,302	325,542	220,931

C. Insurance Purchasing Pool

Ohio School Board Association (OSBA) Group Rating Program

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District continues to carry commercial insurance for all other risks of loss including liability insurance for all district employees. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

16. JOINTLY GOVERNED ORGANIZATION

Ohio Hi-Point Career Center - The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

16. JOINTLY GOVERNED ORGANIZATION (Continued)

West Central Ohio Special Education Regional Resource Center – The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation.

The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate ever year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

Logan County Education Foundation – The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

17. JOINT VENTURE

Joint Recreation District – The Joint Recreation District (JRD) was established June 25, 1984. The JRD is operated by a seven member Board consisting of three representatives from both the Bellefontaine City School District and the City of Bellefontaine. The remaining member is selected by the six appointed Board members. The JRD operates the Blue Jacket Park which is adjacent to the Bellefontaine City School District and for which the District owns the land. The operating budget for the JRD is passed by the City of Bellefontaine and is submitted to the JRD Board. To obtain financial information write to the City of Bellefontaine, Dale King, who serves as Auditor, at 135 North Detroit Street, Bellefontaine, Ohio 43311.

18. CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants.

The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

18. CONTINGENT LIABILITIES (Continued)

B. Litigation

There are currently no matters in litigation with the District as defendant.

19. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

20. SET-ASIDE CALCULATIONS AND FUND RESERVES

The 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 identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002. Senate Bill 345 eliminated the requirement to set aside additional reserves for budget stabilization. The reserve for budget stabilization balance represents the set aside required for Bureau of Workers' Compensation refunds.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance as of June 30, 2001	\$128,225		\$80,693	\$208,918
Current Year Set-Aside Requirement	351,292	\$351,292		702,584
Current Year Offsets		(351,292)		(351,292)
Qualifying Disbursement	(440,494)			(440,494)
Total	<u>\$39,023</u>	<u>\$0</u>	<u>\$80,693</u>	<u>\$119,716</u>
Cash Balance Carried Forward to FY 2003	<u>\$39,023</u>	<u>\$0</u>	<u>\$80,693</u>	<u>\$119,716</u>
Amount Restricted for Budget Stabilization				\$80,693
Amount Restricted for Textbooks				39,023
Total Restricted Assets				<u>\$119,716</u>

The amount set-aside to satisfy statutory requirements for textbooks and budget stabilization are represented by restricted cash and are presented as "reserve for textbooks and instructional materials" and "reserve for budget stabilization" on the balance sheet.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2002**

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		10.550		\$88,625		\$85,947
School Breakfast Program	05-PU 01	10.553	16,279		16,279	
	05-PU 02		31,985		31,985	
Total School Breakfast program			48,264		48,264	
National School Lunch Program	LL-P1 01	10.555	40,437		40,437	
	LL-P4-01		32,394		32,394	
	LL-P4 02		164,344		164,344	
Total National School Lunch Program			237,175		237,175	
Total U.S. Department of Agriculture - Nutrition Cluster			285,439	88,625	285,439	85,947
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through Ohio Department of Education)</i>						
Title I, Part A, ESEA	C1-S1 00	84.010			2,527	
	C1-S1 01		226,011		41,264	
	C1-S1 02		209,557		201,005	
Total Title I, Part A, ESEA			435,568		244,796	
Special Education Grants to States	6B-SF 00	84.027	137,885		114,288	
	6B-SF 01		97,501		88,971	
Total Special Education Grants to States			235,386		203,259	
Innovative Education Program Strategies	C2-S1 00	84.298	10,179			
	C2-S1 01				323	
	C2-S1 02		7,531		3,756	
Total Innovative Education Program			17,710		4,079	
Eisenhower Professional Development State Grants , Title II, Part B	MS-S1 00	84.281	1,970		4,106	
	MS-S1 02		15,481		3,797	
Total Eisenhower Professional Development State Grants, Title II, Part B			17,451		7,903	
Safe & Drug Free School - State Grants Title IV, Part A, Subpart 1 of ESEA	DR-S1 00	84.186	2,548		2,443	
	DR-S1 01		8,059		7,361	
	DR-S1 02		6,246		3,933	
Total Safe & Drug Free School - State Grants Title IV, Part A, Subpart 1 of ESEA			16,853		13,737	
Goals 2000 - State & Local Education Systemic Improvement Grants	G2-S1 01	84.276	20,000		13,959	
	G2-S1 00				16,387	
Total Goals 2000 Grants - State & Local Education Systemic Improvement Grants			20,000		30,346	
Technology Literacy Challenge Fund Grants	TF-V2 00	84.318	65,000		64,753	
	TF-VL 00		9,000		8,802	
Total Technology Literacy Challenge Fund Grants			74,000		73,555	
Class Size Reduction	CR-S1 01	84.340	46,301			
	CR-S1 02		26,176		12,468	
Total Class Size Reduction			72,477		12,468	
School Renovation Grants	AT-S1-02	84.352A	1,338			
Total U.S. Department of Education			890,783		590,143	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>(Passed through Logan County Mentally Retarded and Developmental Disabilities)</i>						
Medical Assistance Program (Medicaid: Title XIX)		93.778	59,807		59,807	
U. S. DEPARTMENT OF LABOR						
School To Work	WK-BE 00	17.249	50,383		14,464	
Total Federal Assistance			\$1,286,412	\$88,625	\$949,853	\$85,947

The accompanying notes to this schedule are an integral part of this schedule.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the “Schedule”) is a summary of the activity of the District’s federal awards programs. The schedule has been prepared on the cash basis of accounting, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation incurred.

NOTE B – NUTRITION CLUSTER

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with state grants. It is assumed that federal monies are expended first. At June 30, 2002, the District had significant food commodities in inventory.

This page intentionally left blank.



Auditor of State Betty Montgomery

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

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of Bellefontaine City School District, Logan County (the "District"), as of and for the year ended June 30, 2002, and have issued our report thereon dated February 14, 2003. 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our audit disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10246-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate report dated February 14, 2003.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 14, 2003.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

This report is intended for the information and use of the audit committee, management, and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 14, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

Compliance

We have audited the compliance of Bellefontaine City School District, Logan County, (the "District"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

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 audit committee, 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.



Betty Montgomery
Auditor of State

February 14, 2003

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2002
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)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1: CFDA # 84.010 Nutrition Cluster: CFDA #s10.550, 10.553 & 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2002
OMB CIRCULAR A -133 §.505**

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

FINDING NUMBER 2002-10246-001

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The District had negative cash fund balances throughout the year as follows:

FUND	BALANCE
December 2001	
Enterprise Food Service	(42,723)
Enterprise Uniform Supply	(12,752)
Special Revenue Sloan Foundation #0110	(25,376)
Special Revenue Title I #0102	(33,965)
Special Revenue Title VI-R #2004	(46,301)
February 2002	
Enterprise Food Service	(11,724)
Enterprise Uniform School Supply	(14,358)
Special Revenue Sloan Foundation #0110	(17,622)
Special Revenue Title VI-B #0102	(29,406)
Special Revenue Title 1 #0102	(73,655)
June 2002	
Special Revenue Sloan Foundation #0110	(17,404)
Special Revenue Sloan Foundation #0210	(26,603)

The District should develop procedures to assess the cash flow needs of each fund and to identify conditions that may potentially result in a negative cash fund balance. Money should be advanced or transferred into those funds that are likely to have a negative cash fund balance.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10246-001	Ohio Revised Code Section 5705.10 - Negative fund balances	No	Repeated as finding 2002-10246-001
2001-10246-002	34 CFR Section 80.23 (b) - Final Expenditure Reports	Yes	Fully Corrected



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN 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
APRIL 1, 2003**