



**BENTON CARROLL SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Benton Carroll Salem Local School District  
Ottawa County  
11685 West State Route 163  
Oak Harbor, Ohio 43449-1298

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**Jim Petro**  
Auditor of State

March 7, 2000

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

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Cash or equity in treasury cash	\$5,325,946	\$131,073	\$1,087,993
Receivables :			
Property and other local taxes	12,620,715		458,850
Accounts receivable	12,697	1,763	
Accrued Interest	116,231		
Intergovernmental	6,928	985	
Prepayments	137,104	2,349	
Materials and supplies inventory	34,933		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	691,420		
Property, plant and equipment (net where applicable of accumulated depreciation)			
<b>Other Debits:</b>			
Amount to be provided for retirement of general long-term obligations			
<b>Total assets</b>	<b><u>\$18,945,974</u></b>	<b><u>\$136,170</u></b>	<b><u>\$1,546,843</u></b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Accounts payable	\$53,258	\$2,097	
Accrued wages and benefits	1,813,498	33,190	
Compensated absences payable	114,829		
Deferred revenue	12,113,878		\$444,980
Due to students			
Undistributed monies			
<b>Total liabilities</b>	<b><u>14,095,463</u></b>	<b><u>35,287</u></b>	<b><u>444,980</u></b>
<b>Equity and other credits:</b>			
Investment in general fixed assets			
Contributed capital			
Retained earnings (deficit)			
Fund balances:			
Reserved for encumbrances	1,132,849	23,042	175,720
Reserved for inventory	34,933		
Reserved for property taxes unavailable for appropriation	506,837		13,870
Reserved for budget stabilization	691,420		
Unreserved, undesignated	2,484,472	77,841	912,273
<b>Total fund equity</b>	<b><u>4,850,511</u></b>	<b><u>100,883</u></b>	<b><u>1,101,863</u></b>
<b>Total liabilities and fund equity</b>	<b><u>\$18,945,974</u></b>	<b><u>\$136,170</u></b>	<b><u>\$1,546,843</u></b>

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-term Obligations	
Enterprise	Trust and Agency			
\$112,168	\$84,903			\$6,742,083
				13,079,565
251	200			14,911
				116,231
17,143				25,056
3,756	52			143,261
18,265				53,198
				691,420
93,653		\$28,007,527		28,101,180
			\$1,747,887	1,747,887
<b>\$245,236</b>	<b>\$85,155</b>	<b>\$28,007,527</b>	<b>\$1,747,887</b>	<b>\$50,714,792</b>

\$6,696	\$918			\$62,969
58,893			\$99,403	2,004,984
53,721			1,648,484	1,817,034
12,831				12,571,689
	82,560			82,560
	1,175			1,175
132,141	84,653		1,747,887	16,540,411
		\$28,007,527		28,007,527
115,842				115,842
(2,747)				(2,747)
	2,191			1,333,802
				34,933
				520,707
				691,420
	(1,689)			3,472,897
113,095	502	28,007,527		34,174,381
<b>\$245,236</b>	<b>\$85,155</b>	<b>\$28,007,527</b>	<b>\$1,747,887</b>	<b>\$50,714,792</b>

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

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Local sources:		
Taxes	\$8,469,779	
Tuition and fees	99,491	\$5,453
Earnings on investments	568,009	81
Gift and donations		28,678
Rent	1,321	500
Extracurricular activities		159,518
Customer services	4,735	
Intergovernmental	1,886,351	398,045
Miscellaneous	34,107	847
Total revenues	<u>11,063,793</u>	<u>593,122</u>
<b>Expenditures:</b>		
Instruction:		
Regular	7,950,782	42,217
Special	1,082,338	198,809
Vocational	513,207	18,351
Other	117,758	
Support services:		
Pupils	676,808	17,192
Instructional staff	864,157	32,293
General administration	277,900	
School administration	1,523,790	100,436
Fiscal	413,148	
Operations and maintenance	1,844,583	1,567
Pupil transportation	705,860	11,817
Central	133,391	359
Community services		51,238
Extra-curricular activities	345,742	148,175
Capital outlay	122,622	
Total expenditures	<u>16,572,086</u>	<u>622,454</u>
Excess of revenues over (under) expenditures	<u>(5,508,293)</u>	<u>(29,332)</u>
<b>Other financing sources (uses)</b>		
Refund of Prior Year Expenditure	20,991	
Refund of Prior Year Receipt	(73)	(148)
Operating transfers (in)		17,000
Operating transfers (out)	(48,875)	
Proceeds of sale of fixed assets	13,317	
Total other financing sources (uses)	<u>(14,640)</u>	<u>16,852</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(5,522,933)</u>	<u>(12,480)</u>
Fund balance, July 1, 1998	10,383,739	113,363
Decrease in reserve for inventory	(10,295)	
<b>Fund balance, June 30, 1999</b>	<u><u>\$4,850,511</u></u>	<u><u>\$100,883</u></u>

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

<u>Governmental Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$310,890		\$8,780,669
(992)	\$1	104,944
		567,099
		28,678
		1,821
		159,518
65,993		4,735
		2,350,389
		34,954
<u>375,891</u>	<u>1</u>	<u>12,032,807</u>
56,084		8,049,083
		1,281,147
		531,558
		117,758
		694,000
		896,450
		277,900
9,017		1,624,226
		422,165
		1,846,150
		717,677
		133,750
		51,238
		493,917
125,969		248,591
<u>191,070</u>		<u>17,385,610</u>
<u>184,821</u>	<u>1</u>	<u>(5,352,803)</u>
		20,991
		(221)
		17,000
		(48,875)
		13,317
		<u>2,212</u>
184,821	1	(5,350,591)
917,042	501	11,414,645
		(10,295)
<u><b>\$1,101,863</b></u>	<u><b>\$502</b></u>	<u><b>\$6,053,759</b></u>

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

	General Fund		
	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Local sources:			
Taxes	\$12,300,000	\$12,340,404	\$40,404
Tuition and fees	78,847	99,491	20,644
Earnings on investments	486,032	551,241	65,209
Gifts and donations			
Rent	535	1,321	786
Extracurricular activities			
Customer Services	12,000	4,735	(7,265)
Intergovernmental	1,869,269	1,884,785	15,516
Miscellaneous	34,501	31,790	(2,711)
Total revenues	<u>14,781,184</u>	<u>14,913,767</u>	<u>132,583</u>
<b>Expenditures:</b>			
Instruction:			
Regular	8,877,880	8,257,819	620,061
Special	1,258,530	1,099,190	159,340
Vocational	536,552	512,703	23,849
Other	120,070	120,070	
Support services:			
Pupils	886,319	841,958	44,361
Instructional staff	992,758	918,537	74,221
General administration	440,807	306,314	134,493
School administration	1,797,343	1,585,656	211,687
Fiscal	502,090	414,686	87,404
Operation and maintenance-plant	2,448,508	2,053,101	395,407
Pupil transportation	909,482	827,162	82,320
Central	165,847	150,130	15,717
Non-instructional/Community services			
Extra-curricular activities	408,720	340,819	67,901
Capital Outlay	208,586	189,898	18,688
Total expenditures	<u>19,553,492</u>	<u>17,618,043</u>	<u>1,935,449</u>
Excess of revenues over (under) expenditures	<u>(4,772,308)</u>	<u>(2,704,276)</u>	<u>2,068,032</u>
<b>Other financing sources (uses):</b>			
Refund of prior year expenditure	5,500	13,260	7,760
Refund of prior year receipt	(500)	(73)	427
Operating transfer-in			
Operating transfers-out	(50,000)	(48,875)	1,125
Advances (Out)	(10,000)		10,000
Proceeds of sale of fixed assets	13,316	13,317	1
Total other financing sources (uses)	<u>(41,684)</u>	<u>(22,371)</u>	<u>19,313</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(4,813,992)</u>	<u>(2,726,647)</u>	<u>2,087,345</u>
Fund balance, July 1, 1998	6,764,289	6,764,289	
Prior year encumbrances appropriated	754,715	754,715	
<b>Fund balance, June 30, 1999</b>	<u><u>\$2,705,012</u></u>	<u><u>\$4,792,357</u></u>	<u><u>\$2,087,345</u></u>

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

Special Revenue Funds			Capital Projects			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$465,900	\$467,583	\$1,683	\$12,765,900	\$12,807,987	\$42,087
\$5,400	\$5,453	\$53				84,247	104,944	20,697
80	81	1		(992)	(992)	486,112	550,330	64,218
30,900	28,678	(2,222)				30,900	28,678	(2,222)
400	500	100				935	1,821	886
156,317	159,518	3,201				156,317	159,518	3,201
						12,000	4,735	(7,265)
396,904	397,776	872	64,304	65,993	1,689	2,330,477	2,348,554	18,077
493	1,018	525				34,994	32,808	(2,186)
<u>590,494</u>	<u>593,024</u>	<u>2,530</u>	<u>530,204</u>	<u>532,584</u>	<u>2,380</u>	<u>15,901,882</u>	<u>16,039,375</u>	<u>137,493</u>
44,890	42,290	2,600	56,084	56,084		8,978,854	8,356,193	622,661
206,938	198,668	8,270				1,465,468	1,297,858	167,610
25,000	18,351	6,649				561,552	531,054	30,498
						120,070	120,070	
17,192	17,192					903,511	859,150	44,361
43,831	38,402	5,429				1,036,589	956,939	79,650
						440,807	306,314	134,493
105,380	94,184	11,196				1,902,723	1,679,840	222,883
			9,250	9,017	233	511,340	423,703	87,637
1,567	1,567					2,450,075	2,054,668	395,407
11,817	11,817		100,000	13,968	86,032	1,021,299	852,947	168,352
5,488	360	5,128				171,335	150,490	20,845
59,211	52,556	6,655				59,211	52,556	6,655
181,669	170,942	10,727				590,389	511,761	78,628
			786,393	287,721	498,672	994,979	477,619	517,360
<u>702,983</u>	<u>646,329</u>	<u>56,654</u>	<u>951,727</u>	<u>366,790</u>	<u>584,937</u>	<u>21,208,202</u>	<u>18,631,162</u>	<u>2,577,040</u>
<u>(112,489)</u>	<u>(53,305)</u>	<u>59,184</u>	<u>(421,523)</u>	<u>165,794</u>	<u>587,317</u>	<u>(5,306,320)</u>	<u>(2,591,787)</u>	<u>2,714,533</u>
	194	194				5,500	13,454	7,954
(148)	(148)					(648)	(221)	427
17,000	17,000					17,000	17,000	
						(50,000)	(48,875)	1,125
						(10,000)		10,000
						13,316	13,317	1
<u>16,852</u>	<u>17,046</u>	<u>194</u>				<u>(24,832)</u>	<u>(5,325)</u>	<u>19,507</u>
(95,637)	(36,259)	59,378	(421,523)	165,794	587,317	(5,331,152)	(2,597,112)	2,734,040
106,697	106,697		310,836	310,836		7,181,822	7,181,822	
35,280	35,280		435,643	435,643		1,225,638	1,225,638	
<u>\$46,340</u>	<u>\$105,718</u>	<u>\$59,378</u>	<u>\$324,956</u>	<u>\$912,273</u>	<u>\$587,317</u>	<u>\$3,076,308</u>	<u>\$5,810,348</u>	<u>\$2,734,040</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS (DEFICIT)  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>
<b>Operating revenues:</b>	
Sales	\$458,695
Charges for services	7,174
Proceeds from sales of fixed assets	(49)
Other revenues	<u>86,297</u>
Total operating revenues	<u>552,117</u>
<b>Operating expenses:</b>	
Personal services	299,420
Fringe benefits	93,677
Purchased services	28,629
Materials and supplies	32,930
Cost of sales	258,723
Depreciation	11,732
Other	515
Capital outlay	<u>(52)</u>
Total operating expenses	<u>725,574</u>
Operating loss	<u>(173,457)</u>
<b>Non-operating revenues (expenses):</b>	
Federal donated commodities	50,708
Interest revenue	351
Federal and state subsidies	105,229
Gain on disposal of fixed assets	<u>441</u>
Total nonoperating revenues (expenses)	<u>156,729</u>
Loss Before Operating Transfers	(16,728)
Operating Transfers-In	35,038
Operating Transfers-Out	<u>(3,163)</u>
Net Income	15,147
Retained earnings (deficit), July 1, 1998	<u>(17,894)</u>
<b>Retained earnings (deficit), June 30, 1999</b>	<b><u><u>(\$2,747)</u></u></b>

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

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

	<b>Enterprise</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services	\$7,174
Cash received from sales	458,698
Cash received from other charges	86,177
Cash payments for personal services	(381,395)
Cash payments for contract services	(29,535)
Cash payments for supplies and materials	(235,512)
Cash payments for other expenses	(515)
Net cash used by operating activities	(94,908)
<b>Cash flows from noncapital financing activities:</b>	
Transfers-In from other funds	35,038
Transfers-Out from other funds	(3,163)
Cash received from operating grants	88,087
Net cash from noncapital financing activities	119,962
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from sale of assets	1,192
Acquisition of capital assets	(6,036)
Net cash used from capital and related financing activities	(4,844)
<b>Cash flows from investing activities:</b>	
Interest on cash equivalents	351
Net increase in cash and cash equivalents	20,561
Cash and cash equivalents, July 1, 1998	91,607
<b>Cash and cash equivalents, June 30, 1999</b>	<b>\$112,168</b>
 <b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	(\$173,457)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation (accumulated)	11,732
Other adjustments to capital outlay to expenses	(3)
Other adjustments to non-operating income	17,143
Changes in assets and liabilities:	
Supplies inventory	3,263
Accounts receivable	(17,260)
Prepayments	(1,277)
Accounts payable	4,946
Accrued wages and benefits	29,855
Compensated absences payable	(16,872)
Donated commodities used during the year	50,708
Deferred revenue	(3,686)
<b>Net cash used by operating activities</b>	<b>(\$94,908)</b>

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

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

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Benton Carroll Salem Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 103 noncertified and 150 certificated full time teaching personnel who provide services to 2,097 students and other community members.

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

**Parochial Schools** -Within the School District boundaries, St. Boniface School is operated through the Toledo Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the treasurer of the School District, as directed by the parochial school. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

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

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

**Village of Oak Harbor** -The village government of Oak Harbor is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these city services.

**Parent Teacher Association** -The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization. Each building has a different name for their parent teacher association.

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

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

The School District is associated with two jointly governed organizations and two public entity risk pools. These organizations are discussed in Note 17 to the general-purpose financial statements. These organizations are:

**Jointly Governed Organization:**

Bay Area Council of Governments  
Northern Ohio Education Computer Association

**Public Entity Risk Pools:**

Ohio School Boards Association Workers' Compensation Group Rating Program  
San-Ott School Employees Insurance Consortium

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

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types**

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

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

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

**1. Governmental Fund Types (Continued)**

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

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

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

**2. Proprietary Fund Types**

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

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

**3. Fiduciary Fund Types**

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

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

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

**4. Account Groups**

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

**B. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

**C. Budgetary Data**

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

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

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

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

**C. Budgetary Data (Continued)**

**2. Estimated Resources**

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

**3. Appropriations**

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

During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

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

**C. Budgetary Data (Continued)**

**5. Lapsing of Appropriations**

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School 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 1999, investments were limited to STAR Ohio, commercial paper, bankers' acceptances, treasury notes and federal agencies securities.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows 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, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year 1999 amounted to \$551,241, which includes \$6,236 assigned from other District funds.

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

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

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

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

**F. Prepaid Items**

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

**G. Fixed Assets and Depreciation**

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

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over estimated useful lives of between 5 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**H. Intergovernmental Revenues**

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

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

**Entitlements**

**General Fund**

State Foundation Program  
School Bus Purchase  
State Property Tax Relief

**Capital Projects Fund**

State Property Tax Relief

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

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

**H. Intergovernmental Revenues (Continued)**

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Special Education Grants to States (Title VI-B)
- Vocational Education
- Local Educational Agencies (Title I)
- Title I - Migrant
- Innovative Educational Program Strategies Title VI (Chapter 2)
- Drug Free Schools
- Educational Management Information System
- Professional Development
- Auxiliary Services

**Capital Projects Funds**

- School Net Plus

**Reimbursable Grants**

**General Fund**

- Driver Education
- Vocational Education Equipment
- CAFS-Medicaid Reimbursement

**Special Revenue Funds**

- Vocational Education - Occupational Work Adjustment
- Library Automation
- Data Communications
- Telecommunications E-Rate

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities
- State School Lunch Program

Grants and entitlements received in governmental funds amounted to 14 percent of governmental fund revenue during the 1999 fiscal year.

**I. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

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

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

**J. Compensated Absences**

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

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Contributed Capital**

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

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

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

**M. Contributed Capital (Continued)**

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1992, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$95,107 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. A fund balance reserve has also be established. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**O. Fund Balance Reserves**

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

The reserve of property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**P. Estimates**

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

**Q. Total Columns on General-Purpose Financial Statements**

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**Fund Deficits**

The following funds had deficit fund balance/retained earnings at June 30, 1999:

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)**

	Deficit Fund Balance/ Retained Earnings
Special Revenue Funds:	
Local Educational Agencies (Title I)	\$2,515
Enterprise Funds:	
Food Service	27,870
Adult Enrichment	1,113
Community Education	21,920

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).

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

<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
Budget Basis	(\$2,726,647)	(\$36,259)	\$165,794
Net Adjustments for Revenue Accruals	(3,842,243)	(96)	(156,693)
Net Adjustments for Expenditure Accruals	(86,892)	833	
Adjustment for Encumbrances	1,132,849	23,042	175,720
GAAP Basis	(\$5,522,933)	(\$12,480)	\$184,821

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

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Cash on Hand**

At fiscal year end, the School District had \$50 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

**Deposits**

At fiscal year end, the carrying amount of the School District's deposits was (\$136,894) and the bank balance was \$336,888. Of the bank balance, \$228,867 was covered by federal depository insurance and \$108,021 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all the State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**Investments**

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the School District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since they are not evidenced by securities that exist in physical or book entry form.

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

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

	Category 3	Fair Value
Federal Agency Securities	\$5,995,556	\$5,979,180
Commercial Paper	1,219,540	1,241,374
	<u>\$7,215,096</u>	<u>7,220,554</u>
Investments in State Treasurer's Investment (STAR Ohio)		349,793
Total Investments		<u>\$7,570,347</u>

The federal agency securities have maturities ranging from July, 1999 to February 23, 2001.

During the year the School District invested in bankers acceptances which matured as of June 30, 1999.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$7,433,503	
Cash on Hand	(50)	
STAR Ohio	(349,793)	\$349,793
Federal Agency Securities	(5,979,180)	5,979,180
Commercial Paper	<u>(1,241,374)</u>	<u>1,241,374</u>
GASB Statement 3	<u>(\$136,894)</u>	<u>\$7,570,347</u>

**NOTE 6 – INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the District's operating transfers for 1999.

	Transfer- In	Transfer-Out
<b>General Fund</b>		\$48,875
<b>Special Revenue Funds:</b>		
Vocational Education Fund	\$17,000	
<b>Proprietary Funds:</b>		
Adult Enrichment Fund		3,163
Community Education Fund	<u>35,058</u>	
<b>Total</b>	<u>\$52,058</u>	<u>\$52,038</u>

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

**NOTE 7 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 1997 taxes were collected are:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agriculture/Residential and Other Real Estate	\$172,177,500	33.66%	\$173,646,010	35.60%
Public Utility Personal	279,874,360	54.71%	276,140,760	56.62%
Tangible Personal Property	59,496,210	11.63%	37,959,320	7.78%
Totals	\$511,548,070	100.00%	\$487,746,090	100.00%
Tax Rate per \$1,000 of assessed valuation		\$30.23		\$30.23

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

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

The School District receives property taxes from Ottawa County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations.

The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$520,707 and is recognized as revenue. \$506,837 was available to the general fund and \$13,870 was available to the capital projects fund. At June 30, 1998, \$4,548,025 was available to the School District. \$4,377,462 was available to the general fund and \$170,563 was available to the capital projects fund.

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

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition), interest and intergovernmental grants. 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 intergovernmental receivables follows:

<b>General Fund</b>	
Taxes - Current and Delinquent	\$12,620,715
Intergovernmental - State and Federal	6,928
Accounts Receivable	12,697
Interest Receivable	116,231
<b>Capital Project Funds</b>	
Taxes - Current and Delinquent	458,850
<b>Special Revenue Funds</b>	
Intergovernmental - State and Federal	985
Accounts Receivable	1,763
<b>Enterprise Funds</b>	
Intergovernmental - State and Federal	17,143
Accounts Receivable	251
<b>Trust and Agency Funds</b>	
Accounts Receivable	200
<b>Grand Total</b>	<u><u>\$13,235,763</u></u>

**NOTE 9 – FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$243,669
Less: Accumulated Depreciation	<u>(150,016)</u>
Net Fixed Assets	<u><u>\$93,653</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<u>Balance at 7/1/98</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance at 6/30/99</u>
Land/Improvements	\$2,025,177	\$14,330		\$2,039,507
Buildings/Improvements	16,079,343	4,157,921	(\$305,434)	19,931,830
Furniture/Equipment	4,498,210	407,808	(308,310)	4,597,708
Buses/Vehicles	1,415,642	22,840		1,438,482
Total General Fixed Assets	<u><u>\$24,018,372</u></u>	<u><u>\$4,602,899</u></u>	<u><u>(\$613,744)</u></u>	<u><u>\$28,007,527</u></u>

There was no construction in progress as of June 30, 1999.

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

**NOTE 10 – RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 1999, the School District contracted with private carriers for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. The private carrier also covers boiler and machinery with a \$1,000 deductible and a \$30,000,000 limit.

Professional liability is protected by The Nationwide Insurance Company with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Also, the School District is protected by Nationwide with an umbrella liability coverage of \$5,000,000. Vehicles are covered by Nationwide Insurance with a \$250 deductible for comprehensive and \$1,000 for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17).

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

**C. Employee Medical Benefits**

The District provides employee health care benefits through membership in the San-Ott School Employees Welfare Benefit Association, a public entity risk management pool. Monthly payments are made to the Association for health, prescription, dental and vision insurance coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the Association will purchase stop-loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120 percent of the prior year's aggregate claims and any specific claims in excess of \$100,000.

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

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$317,410, \$310,452, \$298,151, respectively; 44.8 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$175,163 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**A. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,231,541, \$1,162,435, and \$1,118,693, respectively; 89.6 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$128,063 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTE 12 – POST-EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation 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 benefits recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$707,738 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

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

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

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$127,101 during the 1999 fiscal year.

**NOTE 13 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 300 days.

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

**NOTE 13 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences (Continued)**

Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 70 days for certified and 65 days for classified. All personnel must have been employed in the Benton Carroll Salem District for a period of ten years to be eligible for severance pay.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the San-Ott School Employees Welfare Benefit Association. Administrators and certified receive coverage in the amount of \$50,000. Coverage in the amount of \$35,000 is provided for all non-certified employees.

**NOTE 14 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Balance at 7/1/98	Increases	(Decreases)	Balance at 6/30/99
SERS Pension	\$89,203	\$99,403	(\$89,203)	\$99,403
Compensated Absences	1,551,434	302,908	(205,858)	1,648,484
Total	<u>\$1,640,637</u>	<u>\$402,311</u>	<u>(\$295,061)</u>	<u>\$1,747,887</u>

**NOTE 15 – CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the School District had contractual purchase commitments as follows:

Company	Project	Amount Remaining on Contract
American Bus and Accessories, Inc.	Two Busses	\$124,706
Trisco Systems, Inc.	Masonry - Jr. High/Carroll	98,462
Southwest Recreational Industries	Track Renovations - Sr. High	63,290
Total		<u>\$286,458</u>

**NOTE 16 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains five enterprise funds to account for the operations of food service, uniform school supplies, vo-ag farm, adult enrichment and swim club. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

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

**NOTE 16 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	Food Service	Uniform Supply	Vo-Ag Farm	Adult Enrichment	Swim Club	Community Education	Total
Operating Revenues	\$422,830	\$11,644	\$13,118		\$3,184	\$101,341	\$552,117
Depreciation	5,919		5,813				11,732
Operating Income/(Loss)	(114,796)	(1,794)	(1,729)	394	1,670	(57,202)	(173,457)
Donated Commodities	50,708						50,708
Operating Grants	105,229						105,229
Operating Transfers In						35,038	35,038
Operating Transfers Out				3,163			3,163
Net Income/(Loss)	41,232	(1,794)	(1,272)	(2,770)	1,671	(21,920)	15,147
Fixed Asset Additions	6,035						6,035
Fixed Asset Deletions			8,000				8,000
Net Working Capital	20,649	2,924	15,821		1,968	(21,920)	19,442
Total Assets	181,289	2,924	53,834		2,934	4,255	245,236
Total Equity	76,632	2,924	53,491		1,968	(21,920)	113,095
Encumbrances Outstanding	34,313	633	2,557		415	1,013	38,931

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS**

**A. Joint Governed Organizations**

**1. Northern Ohio Educational Computer Association**

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

**2. Bay Area Council of Governments**

The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance.

The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the Erie Co. ESC, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

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

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS (Continued)**

**B. Public Entity Risk Pools**

The School District participates in the Ohio School Boards Association Workers' 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 San-Ott School Employees Welfare Benefit Association is a shared risk pool, with participants from Sandusky and Ottawa counties. The Council is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott Consortium, Jay Valasek, Treasurer of Vanguard-Sentinel Vocational Schools, at 1306 Cedar Street, Fremont, Ohio 43420.

**NOTE 18 – CHANGES IN CONTRIBUTED CAPITAL**

There were no changes to contributed capital in the enterprise funds for the year ended June 30, 1999.

	Food Service	Vo-Ag Farm	Total
Contributed Capital, July 1, 1998	\$104,502	\$11,340	\$115,842
Contributed Capital, June 30, 1999	104,502	11,340	115,842

**NOTE 19 – STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,416,094 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of February 22, 2000, The Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

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

**NOTE 20 - 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 School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1998			\$95,107
Current Year Set-aside Requirement	275,438	275,438	137,719
Current Year Offsets		(517,226)	
Qualifying Expenditures	(552,906)	(687,950)	
Additional Budget Stabilization Contributions			458,594
Total	<u>(\$277,468)</u>	<u>(\$929,738)</u>	<u>\$ 691,420</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$786,527</u>
Total Restricted Assets			<u>\$691,420</u>

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

**NOTE 21 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state 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 adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-cash Receipts	Disburse- ments	Non-cash Disburse- ments
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Local Educational Agencies-Title 1	84.010	C1-S1-98			\$11,648	
		C1-S1-99	\$84,086		74,533	
Total Title 1			84,086		86,181	
Migrant Education - Basic State Grant Program	84.011	MG-S1-98	(112)			
		MG-S1-99	8,500		7,869	
Total Migrant Education			8,388		7,869	
Innovative Education Program Strategies (Chapter 2)	84.298	C2-S1-98	(2)		249	
		C2-S1-99	7,999		6,468	
Total Innovative Education Program Strategies			7,997		6,717	
Special Education Grants to States	84.027	6B-SF-98			5,070	
		6B-SF-99	113,928		98,933	
Total Special Education Grants to States			113,928		104,003	
E-Rate Telecommunications Subsidy	84.XXX	-	9,194		9,194	
Safe and Drug-Free Schools Program	84.186	DR-S1-98	(4)		450	
		DR-S1-99	11,081		11,081	
Total Safe and Drug-Free Schools Program			11,077		11,531	
Total Ohio Department of Education			234,670		225,495	
<i>Passed through Penta County Joint Vocational School</i>						
Vocational Education - Basic Grants to States	84.048	2B-00-99	872		872	
Total United States Department of Education			235,542		226,367	
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Education:</i>						
Dependent Care Plan Subsidy	93.673	DC-S1-99	19,980		19,980	
Total United States Department of Health and Human Services			19,980		19,980	
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	10.550	-		47,021		50,708
National School Lunch Program	10.555	03-PU-00-98	4,822		4,822	
		03-PU-00-99	24,466		24,466	
		04-PU-00-98	9,432		9,432	
		04-PU-00-99	45,743		45,743	
Total United States Department of Agriculture			84,463	47,021	84,463	50,708
<b>Total Federal Financial Assistance</b>			<b>\$ 339,985</b>	<b>\$ 47,021</b>	<b>\$ 330,810</b>	<b>\$ 50,708</b>

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Benton Carroll Salem Local School District  
Ottawa County  
11685 West State Route 163  
Oak Harbor, Ohio 43449-1298

To the Board of Education:

We have audited the financial statements of the Benton Carroll Salem Local School District, Ottawa County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated March 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated March 7, 2000.

**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 March 7, 2000.

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

**Jim Petro**  
Auditor of State

March 7, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Benton Carroll Salem Local School District  
Ottawa County  
11685 West State Route 163  
Oak Harbor, Ohio 43449-1298

To the Board of Education:

**Compliance**

We have audited the compliance of the Benton Carroll Salem Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

March 7, 2000

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 1999**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

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

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**BENTON CARROLL SALEM LOCAL SCHOOL DISTRICT**

**OTTAWA 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  
MARCH 30, 2000**