

**BERKSHIRE LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Berkshire Local School District
14259 Claridon -Troy Road
P.O. Box 364
Burton, Ohio 44021-0364

We have audited the accompanying general-purpose financial statements of the Berkshire Local School District, Geauga County, Ohio (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 Berkshire Local School District, Geauga County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types 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 December 10, 1999 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.


JIM PETRO
Auditor of State

December 10, 1999

Berkshire Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

| | Governmental Fund Types | | | |
|--|-------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets and Other Debits | | | | |
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,986,672 | \$94,377 | \$160,394 | \$172,386 |
| Receivables: | | | | |
| Taxes | 3,972,841 | 0 | 89,791 | 31,720 |
| Accounts | 2,777 | 0 | 0 | 0 |
| Intergovernmental | 0 | 0 | 0 | 0 |
| Interfund Receivable | 7,264 | 0 | 0 | 0 |
| Prepaid Items | 21,365 | 0 | 0 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 | 0 |
| Materials and Supplies | | | | |
| Inventory | 7,302 | 0 | 0 | 0 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 126,479 | 0 | 0 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 | 0 |
| Other Debits | | | | |
| Amount Available in Debt Service Fund for Retirement of General Obligation Bonds | 0 | 0 | 0 | 0 |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | \$6,124,700 | \$94,377 | \$250,185 | \$204,106 |

| Proprietary Fund Types | | Fiduciary Fund Type | Account Groups | | Totals (Memorandum Only) |
|------------------------|------------------|---------------------|----------------------|-------------------------------|-----------------------------|
| Enterprise | Internal Service | Agency | General Fixed Assets | General Long-Term Obligations | |
| \$2,143 | \$21,456 | \$36,354 | \$0 | \$0 | \$2,473,782 |
| 0 | 0 | 0 | 0 | 0 | 4,094,352 |
| 1,479 | 0 | 0 | 0 | 0 | 4,256 |
| 5,672 | 0 | 0 | 0 | 0 | 5,672 |
| 0 | 0 | 0 | 0 | 0 | 7,264 |
| 0 | 0 | 0 | 0 | 0 | 21,365 |
| 4,501 | 0 | 0 | 0 | 0 | 4,501 |
| 192 | 0 | 0 | 0 | 0 | 7,494 |
| 0 | 0 | 0 | 0 | 0 | 126,479 |
| 75,691 | 0 | 0 | 6,546,290 | 0 | 6,621,981 |
| 0 | 0 | 0 | 0 | 160,394 | 160,394 |
| 0 | 0 | 0 | 0 | 657,215 | 657,215 |
| <u>\$89,678</u> | <u>\$21,456</u> | <u>\$36,354</u> | <u>\$6,546,290</u> | <u>\$817,609</u> | <u>\$14,184,755</u> |

(continued)

Berkshire Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

| | Governmental Fund Types | | | |
|---|-------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Liabilities, Fund Equity and Other Credits | | | | |
| Liabilities | | | | |
| Accounts Payable | \$15,946 | \$1,184 | \$0 | \$0 |
| Accrued Wages | 787,152 | 14,438 | 0 | 0 |
| Compensated Absences Payable | 0 | 0 | 0 | 0 |
| Interfund Payable | 0 | 5,264 | 0 | 0 |
| Intergovernmental Payable | 149,497 | 623 | 0 | 0 |
| Deferred Revenue | 3,131,767 | 0 | 89,791 | 6,720 |
| Undistributed Monies | 0 | 0 | 0 | 0 |
| Due to Students | 0 | 0 | 0 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| Total Liabilities | 4,084,362 | 21,509 | 89,791 | 6,720 |
| Fund Equity and Other Credits | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Contributed Capital | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved (Deficit) | 0 | 0 | 0 | 0 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 241,399 | 31,620 | 0 | 2,529 |
| Reserved for Inventory | 7,302 | 0 | 0 | 0 |
| Reserved for Property Taxes | 377,000 | 0 | 0 | 25,000 |
| Reserved for Budget Stabilization | 97,146 | 0 | 0 | 0 |
| Reserved for Bus Purchase | 29,333 | 0 | 0 | 0 |
| Reserved for Debt Service: | | | | |
| Principal | 0 | 0 | 146,822 | 0 |
| Interest | 0 | 0 | 12,012 | 0 |
| Unreserved, Undesignated | 1,288,158 | 41,248 | 1,560 | 169,857 |
| Total Fund Equity and Other Credits | 2,040,338 | 72,868 | 160,394 | 197,386 |
| Total Liabilities, Fund Equity and Other Credits | \$6,124,700 | \$94,377 | \$250,185 | \$204,106 |

See accompanying notes to the general purpose financial statements

| Proprietary Fund Types | | Fiduciary Fund Type | Account Groups | | Totals (Memorandum Only) |
|------------------------|------------------|---------------------|----------------------|-------------------------------|--------------------------|
| Enterprise | Internal Service | Agency | General Fixed Assets | General Long-Term Obligations | |
| \$0 | \$568 | \$0 | \$0 | \$0 | \$17,698 |
| 23,060 | 0 | 0 | 0 | 0 | 824,650 |
| 10,143 | 0 | 0 | 0 | 593,093 | 603,236 |
| 2,000 | 0 | 0 | 0 | 0 | 7,264 |
| 14,687 | 0 | 0 | 0 | 77,694 | 242,501 |
| 2,593 | 0 | 0 | 0 | 0 | 3,230,871 |
| 0 | 0 | 4,728 | 0 | 0 | 4,728 |
| 0 | 0 | 31,626 | 0 | 0 | 31,626 |
| 0 | 12,369 | 0 | 0 | 0 | 12,369 |
| 0 | 0 | 0 | 0 | 146,822 | 146,822 |
| <u>52,483</u> | <u>12,937</u> | <u>36,354</u> | <u>0</u> | <u>817,609</u> | <u>5,121,765</u> |
| 0 | 0 | 0 | 6,546,290 | 0 | 6,546,290 |
| 217,366 | 0 | 0 | 0 | 0 | 217,366 |
| (180,171) | 8,519 | 0 | 0 | 0 | (171,652) |
| 0 | 0 | 0 | 0 | 0 | 275,548 |
| 0 | 0 | 0 | 0 | 0 | 7,302 |
| 0 | 0 | 0 | 0 | 0 | 402,000 |
| 0 | 0 | 0 | 0 | 0 | 97,146 |
| 0 | 0 | 0 | 0 | 0 | 29,333 |
| 0 | 0 | 0 | 0 | 0 | 146,822 |
| 0 | 0 | 0 | 0 | 0 | 12,012 |
| 0 | 0 | 0 | 0 | 0 | 1,500,823 |
| <u>37,195</u> | <u>8,519</u> | <u>0</u> | <u>6,546,290</u> | <u>0</u> | <u>9,062,990</u> |
| <u>\$89,678</u> | <u>\$21,456</u> | <u>\$36,354</u> | <u>\$6,546,290</u> | <u>\$817,609</u> | <u>\$14,184,755</u> |

Berkshire Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999*

| | General | Special Revenue |
|---|--------------------|--------------------|
| Revenues | | |
| Taxes | \$4,408,524 | \$0 |
| Intergovernmental | 3,138,077 | 176,045 |
| Interest | 157,793 | 0 |
| Tuition and Fees | 15,995 | 0 |
| Extracurricular Activities | 38,000 | 84,214 |
| Rentals | 16,063 | 0 |
| Charges for Services | 8,856 | 0 |
| Gifts and Donations | 814 | 43,162 |
| Miscellaneous | 99,939 | 0 |
| | <u>7,884,061</u> | <u>303,421</u> |
| <i>Total Revenues</i> | | |
| Expenditures | | |
| Current: | | |
| Instruction: | | |
| Regular | 3,638,253 | 44,420 |
| Special | 613,746 | 84,346 |
| Vocational | 49,109 | 0 |
| Support Services: | | |
| Pupils | 371,354 | 32,609 |
| Instructional Staff | 214,724 | 4,877 |
| Board of Education | 24,891 | 0 |
| Administration | 565,294 | 11,070 |
| Fiscal | 205,152 | 0 |
| Business | 16,674 | 300 |
| Operation and Maintenance of Plant | 896,663 | 0 |
| Pupil Transportation | 693,419 | 0 |
| Central | 0 | 648 |
| Operation of Non-Instructional Services | 5,766 | 0 |
| Extracurricular Activities | 150,776 | 98,301 |
| Capital Outlay | 0 | 0 |
| Debt Service: | | |
| Principal Retirement | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 |
| | <u>7,445,821</u> | <u>276,571</u> |
| <i>Total Expenditures</i> | | |
| <i>Excess of Revenues Over (Under) Expenditures</i> | 438,240 | 26,850 |
| Other Financing Sources | | |
| Proceeds from Sale of Fixed Assets | 1,171 | 0 |
| | <u>1,171</u> | <u>0</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i> | | |
| | 439,411 | 26,850 |
| Decrease in Reserve for Inventory | (515) | 0 |
| <i>Fund Balances Beginning of Year (Restated - Note 3)</i> | <u>1,601,442</u> | <u>46,018</u> |
| <i>Fund Balances End of Year</i> | <u>\$2,040,338</u> | <u>\$72,868</u> |

See accompanying notes to the general purpose financial statements

| Debt Service | Capital Projects | Totals (Memorandum Only) |
|------------------|---------------------|--------------------------------|
| \$115,217 | \$112,578 | \$4,636,319 |
| 2,703 | 63,189 | 3,380,014 |
| 0 | 0 | 157,793 |
| 0 | 0 | 15,995 |
| 0 | 0 | 122,214 |
| 0 | 0 | 16,063 |
| 0 | 0 | 8,856 |
| 0 | 0 | 43,976 |
| 0 | 0 | 99,939 |
| <u>117,920</u> | <u>175,767</u> | <u>8,481,169</u> |
| 0 | 0 | 3,682,673 |
| 0 | 0 | 698,092 |
| 0 | 0 | 49,109 |
| 0 | 0 | 403,963 |
| 0 | 0 | 219,601 |
| 0 | 0 | 24,891 |
| 0 | 0 | 576,364 |
| 234 | 0 | 205,386 |
| 0 | 0 | 16,974 |
| 0 | 0 | 896,663 |
| 0 | 0 | 693,419 |
| 0 | 0 | 648 |
| 0 | 0 | 5,766 |
| 0 | 0 | 249,077 |
| 0 | 89,377 | 89,377 |
| 197,461 | 0 | 197,461 |
| 24,042 | 0 | 24,042 |
| <u>221,737</u> | <u>89,377</u> | <u>8,033,506</u> |
| (103,817) | 86,390 | 447,663 |
| <u>0</u> | <u>0</u> | <u>1,171</u> |
| (103,817) | 86,390 | 448,834 |
| 0 | 0 | (515) |
| <u>264,211</u> | <u>110,996</u> | <u>2,022,667</u> |
| <u>\$160,394</u> | <u>\$197,386</u> | <u>\$2,470,986</u> |

Berkshire Local School District
*Combined Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999*

| | General Fund | | Variance Favorable (Unfavorable) |
|--|-------------------|--------------------|--|
| | Revised Budget | Actual | |
| Revenues | | | |
| Taxes | \$4,384,838 | \$4,384,838 | \$0 |
| Intergovernmental | 3,185,933 | 3,186,474 | 541 |
| Interest | 157,000 | 157,793 | 793 |
| Tuition and Fees | 17,037 | 16,197 | (840) |
| Extracurricular Activities | 39,300 | 38,000 | (1,300) |
| Rentals | 17,100 | 16,407 | (693) |
| Charges for Services | 8,856 | 8,856 | 0 |
| Gifts and Donations | 820 | 814 | (6) |
| Miscellaneous | 99,555 | 99,555 | 0 |
| <i>Total Revenues</i> | <u>7,910,439</u> | <u>7,908,934</u> | <u>(1,505)</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 4,023,077 | 3,620,050 | 403,027 |
| Special | 751,630 | 691,333 | 60,297 |
| Vocational | 52,694 | 48,745 | 3,949 |
| Support Services: | | | |
| Pupils | 428,375 | 361,436 | 66,939 |
| Instructional Staff | 274,945 | 216,259 | 58,686 |
| Board of Education | 57,037 | 35,783 | 21,254 |
| Administration | 660,499 | 572,965 | 87,534 |
| Fiscal | 255,683 | 225,139 | 30,544 |
| Business | 19,208 | 16,910 | 2,298 |
| Operation and Maintenance of Plant | 1,088,278 | 990,785 | 97,493 |
| Pupil Transportaton | 839,707 | 742,403 | 97,304 |
| Central | 0 | 0 | 0 |
| Operation of Non-Instructional Services | 6,294 | 5,766 | 528 |
| Extracurricular Activities | 171,381 | 148,860 | 22,521 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>8,628,808</u> | <u>7,676,434</u> | <u>952,374</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(718,369)</u> | <u>232,500</u> | <u>950,869</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from Sale of Fixed Assets | 1,237 | 1,171 | (66) |
| Advances In | 1,000 | 1,000 | 0 |
| Advances Out | (20,000) | (6,264) | 13,736 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(17,763)</u> | <u>(4,093)</u> | <u>13,670</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | <u>(736,132)</u> | <u>228,407</u> | <u>964,539</u> |
| <i>Fund Balances Beginning of Year</i> | 1,368,079 | 1,368,079 | 0 |
| Prior Year Encumbrances Appropriated | 259,351 | 259,351 | 0 |
| <i>Fund Balances End of Year</i> | <u>\$891,298</u> | <u>\$1,855,837</u> | <u>\$964,539</u> |

| Special Revenue Funds | | | Debt Service Fund | | |
|-----------------------|-----------------|----------------------------------|-------------------|------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$121,707 | \$121,717 | \$10 |
| 175,995 | 176,045 | 50 | 2,703 | 2,703 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 83,768 | 84,614 | 846 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 43,194 | 43,162 | (32) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>302,957</u> | <u>303,821</u> | <u>864</u> | <u>124,410</u> | <u>124,420</u> | <u>10</u> |
| 57,932 | 55,676 | 2,256 | 0 | 0 | 0 |
| 86,810 | 85,802 | 1,008 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 32,726 | 32,716 | 10 | 0 | 0 | 0 |
| 16,731 | 12,516 | 4,215 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 16,174 | 13,568 | 2,606 | 0 | 0 | 0 |
| 0 | 0 | 0 | 900 | 234 | 666 |
| 300 | 300 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 3,258 | 648 | 2,610 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 122,614 | 107,087 | 15,527 | 0 | 0 | 0 |
| 0 | 0 | 0 | 197,461 | 197,461 | 0 |
| 0 | 0 | 0 | 24,042 | 24,042 | 0 |
| <u>336,545</u> | <u>308,313</u> | <u>28,232</u> | <u>222,403</u> | <u>221,737</u> | <u>666</u> |
| <u>(33,588)</u> | <u>(4,492)</u> | <u>29,096</u> | <u>(97,993)</u> | <u>(97,317)</u> | <u>676</u> |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 6,264 | 6,264 | 0 | 0 | 0 | 0 |
| (1,000) | (1,000) | 0 | 0 | 0 | 0 |
| <u>5,264</u> | <u>5,264</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| (28,324) | 772 | 29,096 | (97,993) | (97,317) | 676 |
| 52,604 | 52,604 | 0 | 257,711 | 257,711 | 0 |
| 8,197 | 8,197 | 0 | 0 | 0 | 0 |
| <u>\$32,477</u> | <u>\$61,573</u> | <u>\$29,096</u> | <u>\$159,718</u> | <u>\$160,394</u> | <u>\$676</u> |

(continued)

Berkshire Local School District
*Combined Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 1999*

| | Capital Projects Funds | | |
|--|------------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Taxes | \$117,723 | \$114,578 | (\$3,145) |
| Intergovernmental | 63,191 | 63,189 | (2) |
| Interest | 0 | 0 | 0 |
| Tuition and Fees | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Rentals | 0 | 0 | 0 |
| Charges for Services | 0 | 0 | 0 |
| Gifts and Donations | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| <i>Total Revenues</i> | <u>180,914</u> | <u>177,767</u> | <u>(3,147)</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 98,834 | 90,178 | 8,656 |
| Special | 0 | 0 | 0 |
| Vocational | 0 | 0 | 0 |
| Support Services: | | | |
| Pupils | 0 | 0 | 0 |
| Instructional Staff | 0 | 0 | 0 |
| Board of Education | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 |
| Fiscal | 3,223 | 3,223 | 0 |
| Business | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 300 | 300 | 0 |
| Pupil Transportaton | 0 | 0 | 0 |
| Central | 0 | 0 | 0 |
| Operation of Non-Instructional Services | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>102,357</u> | <u>93,701</u> | <u>8,656</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>78,557</u> | <u>84,066</u> | <u>5,509</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from Sale of Fixed Assets | 0 | 0 | 0 |
| Advances In | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | <u>78,557</u> | <u>84,066</u> | <u>5,509</u> |
| <i>Fund Balances Beginning of Year</i> | 75,416 | 75,416 | 0 |
| Prior Year Encumbrances Appropriated | 10,375 | 10,375 | 0 |
| <i>Fund Balances End of Year</i> | <u>\$164,348</u> | <u>\$169,857</u> | <u>\$5,509</u> |

See accompanying notes to the general purpose financial statements.

| Totals (Memorandum Only) | | |
|--------------------------|--------------------|--|
| Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$4,624,268 | \$4,621,133 | (\$3,135) |
| 3,427,822 | 3,428,411 | 589 |
| 157,000 | 157,793 | 793 |
| 17,037 | 16,197 | (840) |
| 123,068 | 122,614 | (454) |
| 17,100 | 16,407 | (693) |
| 8,856 | 8,856 | 0 |
| 44,014 | 43,976 | (38) |
| 99,555 | 99,555 | 0 |
| <u>8,518,720</u> | <u>8,514,942</u> | <u>(3,778)</u> |
| 4,179,843 | 3,765,904 | 413,939 |
| 838,440 | 777,135 | 61,305 |
| 52,694 | 48,745 | 3,949 |
| 461,101 | 394,152 | 66,949 |
| 291,676 | 228,775 | 62,901 |
| 57,037 | 35,783 | 21,254 |
| 676,673 | 586,533 | 90,140 |
| 259,806 | 228,596 | 31,210 |
| 19,508 | 17,210 | 2,298 |
| 1,088,578 | 991,085 | 97,493 |
| 839,707 | 742,403 | 97,304 |
| 3,258 | 648 | 2,610 |
| 6,294 | 5,766 | 528 |
| 293,995 | 255,947 | 38,048 |
| 197,461 | 197,461 | 0 |
| 24,042 | 24,042 | 0 |
| <u>9,290,113</u> | <u>8,300,185</u> | <u>989,928</u> |
| <u>(771,393)</u> | <u>214,757</u> | <u>986,150</u> |
| 1,237 | 1,171 | (66) |
| 7,264 | 7,264 | 0 |
| (21,000) | (7,264) | 13,736 |
| <u>(12,499)</u> | <u>1,171</u> | <u>13,670</u> |
| (783,892) | 215,928 | 999,820 |
| 1,753,810 | 1,753,810 | 0 |
| 277,923 | 277,923 | 0 |
| <u>\$1,247,841</u> | <u>\$2,247,661</u> | <u>\$999,820</u> |

Berkshire Local School District
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999*

| | Enterprise | Internal Service | Totals (Memorandum Only) |
|---|------------------------|-----------------------|--------------------------------|
| Operating Revenues | | | |
| Sales | \$237,891 | \$0 | \$237,891 |
| Charges for Services | 0 | 108,198 | 108,198 |
| <i>Total Operating Revenues</i> | <u>237,891</u> | <u>108,198</u> | <u>346,089</u> |
| Operating Expenses | | | |
| Salaries and Wages | 114,082 | 0 | 114,082 |
| Fringe Benefits | 54,892 | 0 | 54,892 |
| Purchased Services | 0 | 7,477 | 7,477 |
| Materials and Supplies | 20,874 | 0 | 20,874 |
| Claims | 0 | 96,985 | 96,985 |
| Cost of Sales | 141,692 | 0 | 141,692 |
| Depreciation | 10,239 | 0 | 10,239 |
| <i>Total Operating Expenses</i> | <u>341,779</u> | <u>104,462</u> | <u>446,241</u> |
| <i>Operating Income (Loss)</i> | <u>(103,888)</u> | <u>3,736</u> | <u>(100,152)</u> |
| Non-Operating Revenues | | | |
| Federal Donated Commodities | 13,341 | 0 | 13,341 |
| Operating Grants | 37,560 | 0 | 37,560 |
| <i>Total Non-Operating Revenues</i> | <u>50,901</u> | <u>0</u> | <u>50,901</u> |
| <i>Net Income (Loss)</i> | <u>(52,987)</u> | <u>3,736</u> | <u>(49,251)</u> |
| <i>Retained Earnings(Deficit) Beginning of Year (Restated - Note 3)</i> | <u>(127,184)</u> | <u>4,783</u> | <u>(122,401)</u> |
| <i>Retained Earnings (Deficit) End of Year</i> | <u>(180,171)</u> | <u>8,519</u> | <u>(171,652)</u> |
| <i>Contributed Capital Beginning and End of Year</i> | <u>217,366</u> | <u>0</u> | <u>217,366</u> |
| <i>Total Fund Equity End of Year</i> | <u><u>\$37,195</u></u> | <u><u>\$8,519</u></u> | <u><u>\$45,714</u></u> |

See accompanying notes to the general purpose financial statements

Berkshire Local School District
*Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999*

| | Enterprise Funds | | Variance Favorable (Unfavorable) |
|--|-------------------|----------------|--|
| | Revised Budget | Actual | |
| Revenues | | | |
| Sales | \$230,631 | \$236,460 | \$5,829 |
| Charges for Services | 0 | 0 | 0 |
| Operating Grants | 37,400 | 31,888 | (5,512) |
| <i>Total Revenues</i> | <u>268,031</u> | <u>268,348</u> | <u>317</u> |
| Expenses | | | |
| Salaries and Wages | 95,964 | 95,961 | 3 |
| Fringe Benefits | 55,177 | 55,158 | 19 |
| Purchased Services | 160,121 | 144,936 | 15,185 |
| Claims | 0 | 0 | 0 |
| <i>Total Expenses</i> | <u>311,262</u> | <u>296,055</u> | <u>15,207</u> |
| <i>Excess of Revenues Under Expenses</i> | (43,231) | (27,707) | 15,524 |
| <i>Fund Equity Beginning of Year</i> | <u>29,850</u> | <u>29,850</u> | <u>0</u> |
| <i>Fund Equity End of Year</i> | <u>(\$13,381)</u> | <u>\$2,143</u> | <u>\$15,524</u> |

(continued)

Berkshire Local School District
*Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types (continued)
For the Fiscal Year Ended June 30, 1999*

| | Internal Service Funds | | |
|--|------------------------|----------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Sales | \$0 | \$0 | \$0 |
| Charges for Services | 112,910 | 108,198 | (4,712) |
| Operating Grants | 0 | 0 | 0 |
| | <i>Total Revenues</i> | <i>112,910</i> | <i>(4,712)</i> |
| Expenses | | | |
| Salaries and Wages | 0 | 0 | 0 |
| Fringe Benefits | 0 | 0 | 0 |
| Purchased Services | 22,879 | 22,667 | 212 |
| Claims | 92,790 | 92,790 | 0 |
| | <i>Total Expenses</i> | <i>115,669</i> | <i>212</i> |
| <i>Excess of Revenues Under Expenses</i> | <i>(2,759)</i> | <i>(7,259)</i> | <i>(4,500)</i> |
| <i>Fund Equity Beginning of Year</i> | <i>12,957</i> | <i>12,957</i> | <i>0</i> |
| <i>Fund Equity End of Year</i> | <i>\$10,198</i> | <i>\$5,698</i> | <i>(\$4,500)</i> |

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

| Revised Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------|-----------------------|--|
| \$230,631 | \$236,460 | \$5,829 |
| 112,910 | 108,198 | (4,712) |
| 37,400 | 31,888 | (5,512) |
| <u>380,941</u> | <u>376,546</u> | <u>(4,395)</u> |
| 95,964 | 95,961 | 3 |
| 55,177 | 55,158 | 19 |
| 183,000 | 167,603 | 15,397 |
| 92,790 | 92,790 | 0 |
| <u>426,931</u> | <u>411,512</u> | <u>15,419</u> |
| (45,990) | (34,966) | 11,024 |
| <u>42,807</u> | <u>42,807</u> | <u>0</u> |
| <u><u>(\$3,183)</u></u> | <u><u>\$7,841</u></u> | <u><u>\$11,024</u></u> |

Berkshire Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

| | Enterprise | Internal Service | Totals (Memorandum Only) |
|--|-------------|---------------------|--------------------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | | |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | \$236,460 | \$0 | \$236,460 |
| Cash Received from Quasi-External Transactions with Other Funds | 0 | 108,198 | 108,198 |
| Cash Payments to Suppliers for Goods and Services | (144,936) | (6,909) | (151,845) |
| Cash Payments to Employees for Services | (151,119) | 0 | (151,119) |
| Cash Payments for Claims | 0 | (92,790) | (92,790) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | (59,595) | 8,499 | (51,096) |
| Cash Flows from Noncapital Financing Activities | | | |
| Operating Grants Received | 31,888 | 0 | 31,888 |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | (27,707) | 8,499 | (19,208) |
| Cash and Cash Equivalents Beginning of Year | 29,850 | 12,957 | 42,807 |
| <i>Cash and Cash Equivalents End of Year</i> | \$2,143 | \$21,456 | \$23,599 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | |
| Operating Income (Loss) | (\$103,888) | \$3,736 | (\$100,152) |
| Adjustments: | | | |
| Depreciation | 10,239 | 0 | 10,239 |
| Donated Commodities Used During Year | 13,341 | 0 | 13,341 |
| (Increase) Decrease in Assets: | | | |
| Accounts Receivable | (1,430) | 0 | (1,430) |
| Inventory Held for Resale | 1,631 | 0 | 1,631 |
| Materials and Supplies Inventory | 3,272 | 0 | 3,272 |
| Increase (Decrease) in Liabilities: | | | |
| Accounts Payable | 0 | 568 | 568 |
| Accrued Wages | 17,217 | 0 | 17,217 |
| Compensated Absences Payable | 904 | 0 | 904 |
| Deferred Revenue | (615) | 0 | (615) |
| Intergovernmental Payable | (266) | 0 | (266) |
| Claims Payable | 0 | 4,195 | 4,195 |
| <i>Total Adjustments</i> | 44,293 | 4,763 | 49,056 |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | (\$59,595) | \$8,499 | (\$51,096) |

See accompanying notes to the general purpose financial statements

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of the School District and Reporting Entity

Berkshire Local School District (the "School District") operates under a locally elected Board form of government and provides educational services as authorized by state and/or federal agencies. This Board controls the School District's five instructional/support facilities by 59 non-certified employees, 90 certified full time teaching personnel and five administrative employees to provide services to 1,365 students and other community members.

The School District was established in 1967 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 70 square miles. It is located in Geauga County, including all of Burton, Claridon, and Troy Townships, Ohio. The School District is the 412th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It currently operates 4 instructional buildings and 1 administrative building.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, agencies, departments and offices that are not legally separate from the School District. For Berkshire Local School District this includes general operation, food service, and student related activities of the School District.

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

The School District is associated with four jointly governed organizations, one related organization and one public entity risk pool. These organizations are the Auburn Career Center, the Lake Geauga Computer Association, the East Shore Regional Transportation System, the Ohio Schools Council, the Burton Public Library and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 17, 18, and 19 to the general purpose financial statements.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Berkshire Local 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 on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

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

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

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

General Fund This 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 These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

Enterprise Funds These funds are used to account for School District activities 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.

Internal Service Fund This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis.

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 only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds 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 operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The modified accrual basis of accounting is followed for the governmental 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.

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 become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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 appropriations resolution are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 Geauga County Budget Commission for rate determination.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

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 and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, 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.

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

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

D. Cash And Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through 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.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

During fiscal year 1999, investments were limited to STAROhio (the State Treasury Asset Reserve of Ohio) and repurchase agreements.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 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 fiscal year 1999 amounted to \$157,793, which includes \$29,560 assigned from other School 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 are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. 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 which services are consumed.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By Statute, money must be set aside to create a budget stabilization reserve. The reserve for budget stabilization also includes a refund received during fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. The balance of a State grant for school bus purchases has also been restricted. See Note 22 for the calculations of the year-end restricted asset balances and corresponding fund balance reserves.

G. 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 expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the 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 date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized and depreciated over the remaining useful lives of fund fixed assets. 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 in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. 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 become measurable.

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Disadvantaged Pupil Program
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title VI-B
- Title I
- Title VI
- Drug Free Schools
- Library Mini Grant

Capital Projects Fund

- SchoolNet

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 39 percent of the School District's operating revenue during the 1999 fiscal year.

J. Interfund Assets and 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."

K. 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after five years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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.

L. Accrued Liabilities And Long-Term Obligations

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

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

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

M. 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 a reduction 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.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for 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 are established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, bus purchases, and debt service principal and interest. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Contributed Capital

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

All of the proprietary funds' fixed assets are considered contributed capital. At June 30, 1999, the School District had contributed capital of \$217,366. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

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.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Restatement of Prior Year's Fund Equity and Balances

At June 30, 1998, taxes receivable were understated by \$415,108 in the general fund. This caused fund balance at June 30, 1998 to increase from \$1,186,334 to \$1,601,442. The restatement of taxes receivable increased excess of revenues and other financing sources over expenditures and other financing uses in the general fund for the fiscal year ended June 30, 1998 by \$415,108 from \$246,125 to \$661,233.

At June 30, 1998, fixed assets were overstated by \$3,882 in the enterprise funds. This overstatement decreased retained earnings for the fiscal year ended June 30, 1998 from (\$123,302) to (\$127,184). At June 30, 1998 fixed assets were understated by \$282,003 in the general fixed assets account group. This understatement increased the balance from \$5,949,869 to \$6,231,872.

Note 4 - Accountability and Compliance

A. Fund Deficits

At June 30, 1999, the title I special revenue fund had a deficit of \$18,877. The deficit is due to an adjustment for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur. The food service enterprise fund had deficit retained earnings of \$181,713. Management is analyzing fund operations to determine appropriate action to alleviate the deficit.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. Compliance

The following funds had total appropriations in excess of estimated resources in violation of 5705.39, Ohio Revised Code:

| | |
|--------------------------------------|--------|
| Special Revenue Funds | |
| Professional Development Block Grant | \$751 |
| Title VI-B | 1,814 |
| Title I | 1,009 |
| Miscellaneous Federal Grant | 968 |
| Capital Projects Fund | |
| SchoolNet | 5,111 |
| Enterprise Fund | |
| Food Service | 13,780 |

Note 5 - Budgetary Basis of Accounting

While the School District is reporting its 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 and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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 balances for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transaction (GAAP basis).

Berkshire Local School District
Notes to the General Purpose Financial Statements
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The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

| | General | Special Revenue | Debt Service | Capital Projects |
|----------------------|------------------|--------------------|-------------------|---------------------|
| GAAP Basis | \$439,411 | \$26,850 | (\$103,817) | \$86,390 |
| Revenue Accruals | 24,873 | 400 | 6,500 | 2,000 |
| Expenditure Accruals | 26,701 | 1,062 | 0 | (1,795) |
| Advances In | 1,000 | 6,264 | 0 | 0 |
| Advances Out | (6,264) | (1,000) | 0 | 0 |
| Encumbrances | (257,314) | (32,804) | 0 | (2,529) |
| Budget Basis | <u>\$228,407</u> | <u>\$772</u> | <u>(\$97,317)</u> | <u>\$84,066</u> |

Net Income (Loss)/Excess of Revenues Under Expenses
All Proprietary Fund Types

| | Enterprise | Internal Service |
|-----------------|-------------------|---------------------|
| GAAP Basis | (\$52,987) | \$3,736 |
| Revenue Accrual | (7,103) | 0 |
| Expense Accrual | 22,144 | 4,763 |
| Depreciation | 10,239 | 0 |
| Encumbrances | 0 | (15,758) |
| Budget Basis | <u>(\$27,707)</u> | <u>(\$7,259)</u> |

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits 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.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

Protection of the 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 money 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain 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, 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

Berkshire Local School District
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For the Fiscal Year Ended June 30, 1999

or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year end, the School District had \$24 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 No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the School District's deposits was (\$92,457) and the bank balance was (\$61,796).

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

| | |
|----------|--------------------|
| | Fair Value |
| STAROhio | <u>\$2,692,694</u> |

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 | \$2,600,261 | \$0 |
| Investments Which are Part of a Cash Management Pool | | |
| STAROhio | (2,692,694) | 2,692,694 |
| Cash on hand | (24) | 0 |
| GASB Statement 3 | (\$92,457) | \$2,692,694 |

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 1999 real property taxes are collected in and intended to finance fiscal year 2000.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 1999 taxes were collected are:

| | 1998 Second Half Collections | | 1999 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|-----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$110,948,800 | 85.70% | \$113,874,170 | 85.79 % |
| Public Utility | 8,922,380 | 6.89 | 8,730,000 | 6.58 |
| Tangible Personal Property | <u>9,590,090</u> | <u>7.41</u> | <u>10,135,990</u> | <u>7.63</u> |
| Total Assessed Value | <u>\$129,461,270</u> | <u>100.00%</u> | <u>\$132,740,160</u> | <u>100.00 %</u> |
| Tax rate per \$1,000 of assessed valuation | \$52.90 | | \$52.30 | |

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District receives property taxes from Geauga 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.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Berkshire Local School District. The County Auditor periodically remits to the School District its portion of taxes. 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 \$402,000 and is recognized as revenue. \$377,000 was available to the general fund and \$25,000 to the permanent improvement fund.

Note 8 - Income Tax

The School District levies a voted tax of 3/4 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Note 9 - Fixed Assets

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

| | |
|-------------------------------|-----------|
| Furniture and Equipment | \$188,268 |
| Less Accumulated Depreciation | (112,577) |
| Net Fixed Assets | \$75,691 |

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

| Asset Category | Balance at 6/30/98 | Additions | Deletions | Balance at 6/30/99 |
|-------------------------|-----------------------|-----------|------------|-----------------------|
| Land and Improvements | \$303,836 | \$0 | \$0 | \$303,836 |
| Buildings | 3,518,729 | 40,000 | 0 | 3,558,729 |
| Furniture and Equipment | 1,566,471 | 235,568 | (81,804) | 1,720,235 |
| Vehicles | 842,836 | 120,654 | 0 | 963,490 |
| Totals | \$6,231,872 | \$396,222 | (\$81,804) | \$6,546,290 |

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 10 - Interfund Transactions

Interfund balances at June 30, 1999 consist of the following individual fund receivables and payables:

| <u>Fund Type/Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-----------------------------|---------------------------------|------------------------------|
| General Fund | \$7,264 | \$0 |
| Special Revenue Fund | | |
| Title I | 0 | 5,264 |
| Enterprise Fund | | |
| Food Service | 0 | 2,000 |
| <i>Total</i> | <u>\$7,264</u> | <u>\$7,264</u> |

Note 11 - 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. During fiscal year 1999, the School District contracted with Nationwide Insurance for fleet and liability insurance and with Northbrook Property and Casualty Insurance Company for property and inland marine coverage. Coverage provided are as follows:

| | <u>Coverage</u> |
|---|-----------------|
| Building and Contents - replacement cost (\$1,000 deductible) | \$16,800,938 |
| Inland Marine Coverage | 1,490,184 |
| Boiler and Machinery (\$1,000 deductible) | 32,100,000 |
| Crime Insurance (\$1,000 deductible) | 255,000 |
| Automobile Liability (\$1,000 deductible) | 2,000,000 |
| Uninsured Motorists (\$1,000 deductible) | 1,000,000 |
| General Liability | |
| Per occurrence | 2,000,000 |
| Total per year | 5,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

The School District participates in the Ohio Schools Board's Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". The "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 Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has elected to provide prescription and dental coverage benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a dental plan with a \$75 family and \$25 single deductible and a prescription plan with a ten percent generic and twenty percent brand-name co-pay. A third party administrator, Medical Benefits, located in Newark, Ohio, reviews all dental claims which are then paid by the School District. Another third party administrator, MIM Health Plans, Inc. located in Cleveland, Ohio reviews all prescription claims which are then paid by the School District. The School District pays into the self-insurance internal service fund \$50.67 per family coverage or \$19.05 per single coverage per month for the dental plan and \$94.93 pre family or \$35.94 per single coverage per month for the prescription plan. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information.

The claims liability of \$12,369 reported in the internal service fund at June 30, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount for 1998 and 1999 were:

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 1998 | \$0 | \$62,726 | \$54,552 | \$8,174 |
| 1999 | 8,174 | 96,985 | 92,790 | 12,369 |

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available,

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$75,481, \$123,489 and \$115,486, respectively; 57.54 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$32,046 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.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$214,007, \$308,350 and \$430,304, respectively; 82.44 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$37,583 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

Note 13 - Postemployment Benefits

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

Berkshire Local School District
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For the Fiscal Year Ended June 30, 1999

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$285,344 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$78,224.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, 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.

Note 14 - 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 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 280 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56 days.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. Life / Medical Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through UNUM. The School District has elected to provided employee medical/surgical benefits through Medical Mutual of Ohio. The cost of the monthly premium is paid by the board. The premium varies with employee depending on coverage. Dental insurance is provided by the School District to most employees through Medical Benefits Companies.

Note 15 -Long Term Obligations

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

| | Principal Outstanding 6/30/98 | Additions | Deductions | Principal Outstanding 6/30/99 |
|--|-------------------------------------|------------------|--------------------|-------------------------------------|
| General Obligation Bonds | | | | |
| 1997 6.25% | | | | |
| Energy Conservation Bond | \$102,781 | \$0 | (\$67,461) | \$35,320 |
| 1998 6.10% | | | | |
| Energy Conservation Bond | 151,502 | 0 | (100,000) | 51,502 |
| 1980 10.375% | | | | |
| Vocational Building | 90,000 | 0 | (30,000) | 60,000 |
| <i>Total General Obligation Bonds</i> | <u>344,283</u> | <u>0</u> | <u>(197,461)</u> | <u>146,822</u> |
| Intergovernmental Payable | 70,084 | 77,694 | (70,084) | 77,694 |
| Compensated Absences | 566,005 | 64,165 | (37,077) | 593,093 |
| <i>Total General Long-Term Obligations</i> | <u>\$980,372</u> | <u>\$141,859</u> | <u>(\$304,622)</u> | <u>\$817,609</u> |

Vocational Building General Obligation Bonds On December 1, 1980, Berkshire School District issued \$610,000 in voted general obligation bonds for the purpose of purchasing a vocational building. The bonds were issued for a twenty year period with final maturity at December 1, 2001. The bonds will be paid from the debt service fund.

Energy Conservation Improvement Bonds On January 15, 1997, Berkshire Local School District issued \$200,000 in voted general obligation bonds for the purpose of H.B. 264 Energy Improvements. The bonds were issued with final maturity at October 1, 1999. The bonds will be paid from the debt service fund.

On October 1, 1997, Berkshire Local School District issued \$200,000 in voted general obligation bonds for the purpose of H.B. 264 Energy Improvements. The bonds were issued with final maturity at October 1, 1999. The bonds will be paid from the debt service fund.

The intergovernmental payable represents pension obligations paid outside the available period. This liability will be paid form the fund which the employees' salaries are paid. The compensated absences will be paid from the fund which the employees' salaries are paid. The remaining balance in the debt service fund will be used to retire future debt.

Berkshire Local School District
Notes to the General Purpose Financial Statements
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The School District's overall legal debt margin at June 30, 1999, was \$11,962,690 with an unvoted debt margin of \$132,740 at June 30, 1999. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999 are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|------------------|-----------------|------------------|
| 2000 | \$116,822 | \$8,900 | \$125,722 |
| 2001 | 30,000 | 3,112 | 33,112 |
| Total | <u>\$146,822</u> | <u>\$12,012</u> | <u>\$158,834</u> |

Note 16 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Berkshire Local School District as of and for the fiscal year ended June 30, 1999.

| | Food Service | Uniform School Supplies | Total Enterprise Funds |
|-------------------------|-----------------|-------------------------------|------------------------------|
| Operating Revenues | \$219,878 | \$18,013 | \$237,891 |
| Operating Expenses | | | |
| less Depreciation | 313,154 | 18,386 | 331,540 |
| Depreciation Expense | 10,239 | 0 | 10,239 |
| Operating Income (Loss) | (103,515) | (373) | (103,888) |
| Donated Commodities | 13,341 | 0 | 13,341 |
| Operating Grants | 37,560 | 0 | 37,560 |
| Net Loss | (52,614) | (373) | (52,987) |
| Net Working Capital | (40,038) | 1,542 | (38,496) |
| Total Assets | 88,136 | 1,542 | 89,678 |
| Total Equity | 35,653 | 1,542 | 37,195 |

Note 17 - Jointly Governed Organizations

A. Auburn Career Center

The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven School Districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to its representation on the Board. Continued existence of the Auburn Career Center is not dependent

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

on the School District's continued participation. Financial information can be obtained from 8140 Auburn Rd. Concord, Ohio 44077.

B. Lake Geauga Computer Association

The Lake Geauga Computer Association (the "LGCA") is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. LGCA's continued existence is not dependent on the School District's continued participation. Financial information can be obtained from 8140 Auburn Rd. Concord, Ohio 44077.

C. East Shore Regional Transportation System

The East Shore Regional Transportation System (the "ESRTA") is a jointly governed organization was formed for the purpose of providing a transportation system for the handicapped children in the 16 member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA's continued existence is not dependent on the School District's continued participation. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. Financial information can be obtained from 9252 Chillicothe Rd. Kirtland, Ohio 44094.

D. Ohio Schools Council

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 1999, the School District paid \$700 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 6376 Mill Road, Broadview Heights, Ohio 44147.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 18 - Related Organization

Burton Public Library - The Burton Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Berkshire Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Burton Public Library, Pam Schamberg Clerk/Treasurer, PO Box 427, Burton, Ohio 44021.

Note 19 - Public Entity Risk Pool

Ohio School Boards Association Workers' Compensation Group Rating Program - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk 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 Director of 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.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other 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 not a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects.

Note 21 - 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 Ohio General Assembly 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 \$2,706,552 of school foundation support for its general fund.

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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. At this time, 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.

Note 22 - Set asides

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

| | <u>Textbooks</u> | <u>Capital Improvements</u> | <u>Budget Reserve</u> | <u>Total</u> |
|--|------------------|---------------------------------|---------------------------|------------------|
| Set-aside balance carried forward July 1, 1998 | \$0 | \$0 | \$39,468 | |
| Current year set-aside requirement | 115,357 | 115,357 | 57,678 | |
| Qualifying expenditures | <u>(262,338)</u> | <u>(316,543)</u> | <u>0</u> | |
| Total | <u>(146,981)</u> | <u>(201,186)</u> | <u>97,146</u> | |
| Cash Balance Carried Forward to FY 2000 | | | | \$97,146 |
| Amount Restricted for Bus Purchases | | | | <u>29,333</u> |
| Total Restricted Assets | | | | <u>\$126,479</u> |

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

Berkshire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 23 - Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

Berkshire Local School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and grant reporting.

The Lake Geauga Educational Computer Association State Software Development Team has indicated that:

“The payroll processing software supported with the OECN State Software is compliant with the Year 2000.”

“The accounting software supported with the OECN State Software is compliant with the Year 2000.”

“The education management information system software supported with the OECN State Software is compliant with the Year 2000.”

“The equipment inventory and vehicle inventory system software supported with the OECN State Software will be compliant with the Year 2000, beginning with the March 1999 release of SAAS V2.1.”

The State of Ohio distributes a substantial sum of money to the School District in the form of “Foundation” and federal and State grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems

Property tax billing, collection and remittance for the School District is handled by Geauga County. The County is responsible for remediating this system.

The Cleveland Electric Illuminating Company (CEI) provides the electricity to the School District. The School District has not obtained assurances from CEI regarding remediating this system. CEI is responsible for remediating this systems.

The Village of Burton provides water, sewer and sanitation services to the School District, and East Ohio Gas (EOG) provides gas service. The Village and EOG are responsible for remediating these systems.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be year 2000 ready, that the School District's remediation efforts will be successful in whole or part, or that parties with whom the School District does business will be year 2000 ready.



STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Education
Berkshire Local School District
14259 Claridon-Troy Road
P.O. Box 364
Burton, Ohio 44021-0364

We have audited the financial statements of the Berkshire Local School District, Geauga County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 10, 1999. 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 an immaterial instance of non-compliance that we have reported to management of the District in a separate letter dated December 10, 1999.

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 a matter involving the internal control over financial reporting, that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 10, 1999.

Berkshire Local School District
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page -2-

This report is intended for the information and use of the Audit Committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

December 10, 1999



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BERKSHIRE LOCAL SCHOOL DISTRICT

GEAUGA 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.

By: *Susan Babbitt*

Date: **JAN 06 2000**