

# **GENERAL PURPOSE FINANCIAL STATEMENTS**

**of the**

**Berne Union Local School District**

**for the**

**Fiscal Year Ended June 30, 2000**

**Prepared By**

**Janet Awalt, Treasurer**

**506 North Main Street**

**Sugar Grove, Ohio**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Board of Education  
Berne Union Local School District  
Sugar Grove, Ohio

We have reviewed the Independent Auditor's Report of the Berne Union Local School District, Fairfield County, prepared by Jones, Cochenour & Co., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Berne Union Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

October 25, 2000

**Berne Union Local School District  
General Purpose Financial Statements  
Year Ended June 30, 2000**

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**List of Principal Officials**

<b>BOARD OF EDUCATION</b>	
<b>Mr. John Garber .....</b>	<b>President</b>
<b>Mr. Frank Dresbach .....</b>	<b>Vice President</b>
<b>Mrs. Sharon Gierhart .....</b>	<b>Member</b>
<b>Mr. Fredrick Nihiser.....</b>	<b>Member</b>
<b>Dr. James Parker .....</b>	<b>Member</b>

<b>TREASURER</b>
<b>Janet Awalt</b>

<b>ADMINISTRATION</b>	
<b>Roger Hardin.....</b>	<b>Superintendent</b>
<b>Robert Starr .....</b>	<b>High School Principal</b>
<b>Pamela Sue Kilbarger .....</b>	<b>Middle School Principal</b>
<b>Steven Templin .....</b>	<b>Elementary School Principal</b>

# COMMUNITY

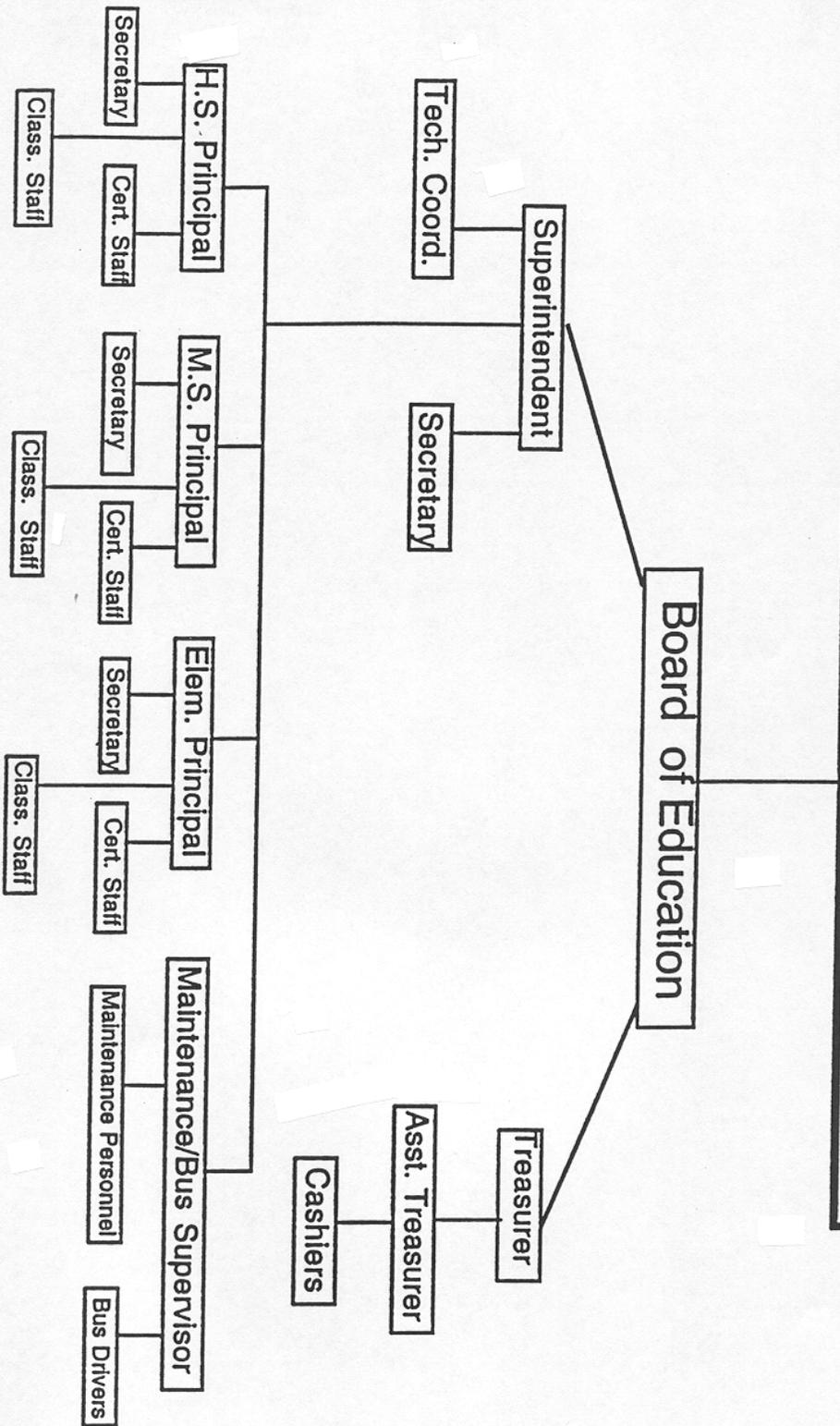


TABLE OF ORGANIZATION



## INDEPENDENT AUDITORS' REPORT

**Board of Education  
Berne Union Local School District  
Sugar Grove, Ohio**

We have audited the accompanying general purpose financial statements of Berne Union Local School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of Berne Union Local School 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 aspects, the financial position of Berne Union Local School District, as of June 30, 2000, 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 September 29, 2000 on our consideration of Berne Union Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jones, Cochenour & Co.  
September 29, 2000**

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**Berne Union Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000**

	Governmental Fund Types				Proprietary Fund Type			Fiduciary Fund Types		Account Groups			Totals 2000 (Memorandum Only)
	General	Special Revenue		Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Assets	Fixed Assets	General Long Term Debt		
		157,239	0									578,889	
<b>Assets and Other Debits:</b>	\$613,728	0	0	0	0	0	0	0	0	0	0	0	\$1,741,933
Equity in Pooled Cash and Investments	0	0	0	0	0	0	0	0	0	0	0	0	67,799
Cash with Fiscal Agent	105,575	0	0	0	0	0	0	0	0	0	0	0	105,575
Restricted Cash	2,035,967	34,537	455,332	0	0	0	0	0	0	0	0	0	2,525,836
Taxes Receivables	12,551	0	0	0	6,618	0	0	0	0	0	0	0	19,169
Intergovernmental Receivables	699	0	0	0	0	0	0	0	0	0	0	0	699
Accounts Receivable	5,898	0	0	0	0	586	0	0	0	0	0	0	6,484
Inventory	0	0	0	0	0	3,243	0	0	0	0	0	0	3,243
Inventory for Resale	12,999	0	0	0	0	0	0	0	0	0	0	0	12,999
Prepaid Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
Property, Plant, and Equipment	0	0	0	0	146,791	0	0	0	13,913,522	0	0	0	14,060,313
Accumulated Depreciation, Where Applicable	0	0	0	0	(73,250)	0	0	0	0	0	0	0	(73,250)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	0	0	578,889	0	578,889
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,787,417</b>	<b>191,776</b>	<b>1,034,221</b>	<b>349,453</b>	<b>87,444</b>	<b>89,574</b>	<b>17,393</b>	<b>13,913,522</b>	<b>10,827,106</b>	<b>10,248,217</b>	<b>\$29,297,906</b>		

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**Berne Union Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000**

	Governmental Fund Types					Proprietary Fund Type			Fiduciary Fund Type			Account Groups			Totals 2000
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)					
<b>Liabilities:</b>															
Intergovernmental Payables	\$96,838	137	0	0	0	0	0	0	0	0	0	0	50,240	\$147,215	
Accounts Payable	16,878	26,958	0	0	0	684	0	0	0	0	0	0	0	44,520	
Claims Payable	0	0	0	0	0	25,962	0	0	0	0	0	0	0	25,962	
Accrued Salaries and Benefits	453,734	9,506	0	0	0	0	0	0	0	0	0	0	0	463,240	
Deferred Revenue	1,987,022	33,236	438,423	0	1,919	0	0	0	0	0	0	0	0	2,460,600	
Due to Others	0	0	0	0	0	0	17,393	0	0	0	0	0	0	17,393	
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	0	0	0	0	4,430,000	4,430,000	
Compensated Absences Payable	22,048	0	0	0	0	0	0	0	0	0	0	0	415,598	437,646	
State Construction Loan Payable	0	0	0	0	0	0	0	0	0	0	0	0	5,931,268	5,931,268	
<b>Total Liabilities</b>	<b>2,576,520</b>	<b>69,837</b>	<b>438,423</b>	<b>0</b>	<b>1,919</b>	<b>26,646</b>	<b>17,393</b>	<b>0</b>	<b>10,827,106</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,827,106</b>	<b>13,957,844</b>	
<b>Fund Equity and Other Credits:</b>															
Investment in General Fixed Assets	0	0	0	0	0	0	0	0	13,913,522	0	0	0	0	13,913,522	
Contributed Capital	0	0	0	0	132,786	0	0	0	0	0	0	0	0	132,786	
Retained Earnings	0	0	0	0	(47,261)	62,928	0	0	0	0	0	0	0	15,667	
<b>Fund Balances:</b>															
Reserved for Supply Inventory	5,898	0	0	0	0	0	0	0	0	0	0	0	0	5,898	
Reserved for Encumbrances	111,020	2,558	0	193,111	0	0	0	0	0	0	0	0	0	306,689	
Reserved for Budget Stabilization	105,575	0	0	0	0	0	0	0	0	0	0	0	0	105,575	
Reserved for Debt	0	0	578,889	0	0	0	0	0	0	0	0	0	0	578,889	
Reserved for Property Tax	48,945	1,301	16,909	0	0	0	0	0	0	0	0	0	0	67,155	
Unreserved Fund Balance	(60,541)	118,080	0	156,342	0	0	0	0	0	0	0	0	0	213,881	
<b>Total Fund Balances</b>	<b>210,897</b>	<b>121,939</b>	<b>595,798</b>	<b>349,453</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,278,087</b>	
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>210,897</b>	<b>121,939</b>	<b>595,798</b>	<b>349,453</b>	<b>85,525</b>	<b>62,928</b>	<b>0</b>	<b>13,913,522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,340,062</b>	
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$2,787,417</b>	<b>191,776</b>	<b>1,034,221</b>	<b>349,453</b>	<b>87,444</b>	<b>89,574</b>	<b>17,393</b>	<b>13,913,522</b>	<b>10,827,106</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,827,106</b>	<b>\$29,297,906</b>	

See Accompanying Notes to the General Purpose Financial Statements.

**Berne Union Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Fund Types**  
**Year Ended June 30, 2000**

	Governmental Fund Types			Capital Projects	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		
<b>REVENUES:</b>					
<b>Revenue from Local Sources</b>					
Taxes	\$2,048,393	35,449	460,018	0	\$2,543,860
Tuition	220,228	0	0	0	220,228
Earnings on Investments	66,744	0	32,139	15,439	114,322
Extracurricular Activities	0	51,572	0	0	51,572
Classroom Materials & Fees	4,591	0	0	0	4,591
Miscellaneous	12,330	55,932	0	0	68,262
<b>Revenue from State Sources</b>					
Unrestricted Grants-in-Aid	2,882,362	3,536	45,968	0	2,931,866
Restricted Grants-in-Aid	26,565	62,318	0	59,900	148,783
Revenue for/on Behalf of District	11,600	0	0	0	11,600
<b>Revenue from Federal Sources</b>					
Restricted Grants-in-Aid	5,216	188,333	0	0	193,549
<b>Total Revenue</b>	<b>5,278,029</b>	<b>397,140</b>	<b>538,125</b>	<b>75,339</b>	<b>6,288,633</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Regular Instruction	2,457,167	37,100	0	25,400	2,519,667
Special Instruction	352,656	147,083	0	0	499,739
Vocational/Other Instruction	173,895	8,220	0	0	182,115
<b>Supporting Services</b>					
Supporting Services-Pupils	224,238	0	0	0	224,238
Supporting Services-Instructional Staff	206,221	45,610	0	6,047	257,878
Supporting Services-Board of Ed	13,987	0	0	0	13,987
Supporting Services-Administration	501,268	48,663	0	0	549,931
Fiscal Services	138,049	3,347	7,902	0	149,298
Supporting Services-Business	2,728	0	0	0	2,728
Operation & Maintenance-Plant	486,170	29,170	0	0	515,340
Supporting Services-Pupil Transportation	429,637	0	0	0	429,637
Supporting Services-Central	14,896	18,728	0	0	33,624
<b>Extracurricular Activities</b>					
Academic & Subject Oriented	4,528	15,127	0	0	19,655
Occupation Oriented Activities	739	0	0	0	739
Sports Oriented	74,870	25,466	0	0	100,336
Co-Curricular Activities	2,847	0	0	0	2,847
<b>Capital Outlay</b>					
Site and Building Improvement	0	0	0	8,206	8,206
Architecture & Engineering	0	0	0	9,723	9,723
<b>Debt Service</b>					
Repayment of Debt	0	0	418,714	0	418,714
<b>Total Expenditures</b>	<b>5,083,896</b>	<b>378,514</b>	<b>426,616</b>	<b>49,376</b>	<b>5,938,402</b>
<b>Excess of Revenues</b>					
Over Expenditures	194,133	18,626	11,509	25,963	350,231
<b>Other Financing Sources and Uses:</b>					
<b>Other Financing Sources</b>					
Sale & Loss of Assets	1,661	0	0	0	1,661
Transfers-In	26,633	0	0	0	26,633
Refund of Prior Year Expenditures	1,322	0	0	0	1,322
<b>Other Financing Uses</b>					
Transfer-Out	(32,988)	0	0	0	(32,988)
<b>Net Other Financing Sources and Uses</b>	<b>(3,372)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,372)</b>
<b>and Other Sources Over Expenditure</b>					
Disbursement and Other Uses	190,761	18,626	111,509	25,963	346,859
Decrease in Inventory	(12,359)	0	0	0	(12,359)
Beginning Fund Balance	32,495	103,313	484,289	323,490	943,587
<b>Ending Fund Balance</b>	<b>\$210,897</b>	<b>121,939</b>	<b>595,798</b>	<b>349,453</b>	<b>\$1,278,087</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Berne Union Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types**  
**Year Ended June 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$2,043,300	2,057,539	14,239	35,296	35,457	\$161
Tuition	208,883	208,882	(1)	0	0	0
Earnings on Investment	62,700	66,779	4,079	0	0	0
Extracurricular Activities	0	0	0	51,669	51,572	(97)
Classroom Materials & Fees	4,500	4,591	91	0	0	0
Miscellaneous	12,606	12,962	356	51,343	56,016	4,673
State Unrestricted Grants-in-Aid	2,877,668	2,882,362	4,694	3,536	3,536	0
State Restricted Grants-in-Aid	26,565	26,565	0	61,318	62,318	1,000
State Revenue for/on Behalf of Dist.	11,417	11,550	133	0	0	0
Federal Restricted Grants-in-Aid	4,580	4,611	31	195,164	195,164	0
<b>Total Revenue</b>	<b>5,252,219</b>	<b>5,275,841</b>	<b>23,622</b>	<b>398,326</b>	<b>404,063</b>	<b>5,737</b>
<b>Expenditures:</b>						
Regular Instruction	2,485,303	2,461,634	23,669	66,954	37,505	29,449
Special Instruction	416,634	354,858	61,776	166,896	158,143	8,753
Vocational Instruction	172,477	170,201	2,276	3,128	3,128	0
Other Instruction	0	0	0	5,092	5,092	0
Support Services-Pupils	248,531	237,790	10,741	0	0	0
Support Services-Instructional Staff	205,952	202,802	3,150	55,385	45,989	9,396
Support Services-Board of Education	18,040	17,487	553	0	0	0
Support Services-Administration	539,918	508,345	31,573	60,037	48,728	11,309
Fiscal Services	146,490	137,018	9,472	6,359	3,347	3,012
Support Services-Business	3,000	2,728	272	0	0	0
Operation & Maintenance-Plant	599,734	553,025	46,709	61,075	29,170	31,905
Support Services-Transportation	500,699	476,351	24,348	1,500	0	1,500
Support Services-Central	22,050	14,825	7,225	23,282	18,728	4,554
Academic & Subject Oriented	6,245	4,483	1,762	19,597	15,127	4,470
Occupation Oriented Activities	1,200	714	486	0	0	0
Sports Oriented	84,805	71,916	12,889	35,243	26,406	8,837
Co-Curricular Activities	4,095	2,716	1,379	0	0	0
Site Improvement	0	0	0	0	0	0
Architecture & Engineering	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>5,455,173</b>	<b>5,216,893</b>	<b>238,280</b>	<b>504,548</b>	<b>391,363</b>	<b>113,185</b>
Excess of Revenue Over (Under) Expenditures	(202,954)	58,948	261,902	(106,222)	12,700	118,922
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	1,200	1,215	15	0	0	0
Transfers-In	26,633	26,633	0	0	0	0
Refund of Prior Years Expenditures	1,275	1,275	0	0	0	0
Transfers-Out	(32,988)	(32,988)	0	0	0	0
<b>Total Other Sources</b>	<b>(3,880)</b>	<b>(3,865)</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(206,834)</b>	<b>55,083</b>	<b>261,917</b>	<b>(106,222)</b>	<b>12,700</b>	<b>118,922</b>
Beginning Fund Balance	452,001	452,001	0	102,525	102,525	0
Prior Year Carry Over Encumbrances	75,506	75,506	0	12,848	12,848	0
<b>Ending Fund Balance</b>	<b>\$320,673</b>	<b>582,590</b>	<b>261,917</b>	<b>9,151</b>	<b>128,073</b>	<b>\$118,922</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**Berne Union Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types**  
**Year Ended June 30, 2000**

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$458,842	460,936	2,094	0	0	\$0
Tuition	0	0	0	0	0	0
Earnings on Investment	29,600	32,139	2,539	15,000	15,439	439
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	45,968	45,968	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	25,400	59,900	34,500
State Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>534,410</b>	<b>539,043</b>	<b>4,633</b>	<b>40,400</b>	<b>75,339</b>	<b>34,939</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	25,400	25,400	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	6,060	6,046	14
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	10,000	7,902	2,098	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement	0	0	0	298,750	216,651	82,099
Architecture & Engineering	0	0	0	46,500	9,723	36,777
Repayment of Debt	425,000	418,714	6,286	0	0	0
<b>Total Expenditures</b>	<b>435,000</b>	<b>426,616</b>	<b>8,384</b>	<b>376,710</b>	<b>257,820</b>	<b>118,890</b>
Excess of Revenue Over (Under) Expenditures	99,410	112,427	13,017	(336,310)	(182,481)	153,829
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfer-Out	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	99,410	112,427	13,017	(336,310)	(182,481)	153,829
Beginning Fund Balance	466,462	466,462	0	330,059	330,059	0
Prior Year Carry Over Encumbrances	0	0	0	12,508	12,508	0
<b>Ending Fund Balance</b>	<b>\$565,872</b>	<b>578,889</b>	<b>13,017</b>	<b>6,257</b>	<b>160,086</b>	<b>\$153,829</b>

See Accompanying Notes to the General Purpose Financial Statements

(Continued)

**Berne Union Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types**  
**Year Ended June 30, 2000**

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$2,537,438	2,553,932	\$16,494
Tuition	208,883	208,882	(1)
Earnings on Investment	107,300	114,357	7,057
Extracurricular Activities	51,669	51,572	(97)
Classroom Materials & Fees	4,500	4,591	91
Miscellaneous	63,949	68,978	5,029
State Unrestricted Grants-in-Aid	2,927,172	2,931,866	4,694
State Restricted Grants-in-Aid	113,283	148,783	35,500
State Revenue for/on Behalf of District	11,417	11,550	133
Federal Restricted Grants-in-Aid	199,744	199,775	31
<b>Total Revenue</b>	<b>6,225,355</b>	<b>6,294,286</b>	<b>68,931</b>
<b>Expenditures:</b>			
Regular Instruction	2,577,657	2,524,539	53,118
Special Instruction	583,530	513,001	70,529
Vocational Instruction	175,605	173,329	2,276
Other Instruction	5,092	5,092	0
Support Services-Pupils	248,531	237,790	10,741
Support Services-Instructional Staff	267,397	254,837	12,560
Support Services-Board of Education	18,040	17,487	553
Support Services-Administration	599,955	557,073	42,882
Fiscal Services	162,849	148,267	14,582
Support Services-Business	3,000	2,728	272
Operation & Maintenance-Plant	660,809	582,195	78,614
Support Services-Transportation	502,199	476,351	25,848
Support Services-Central	45,332	33,553	11,779
Academic & Subject Oriented	25,842	19,610	6,232
Occupation Oriented Activities	1,200	714	486
Sports Oriented	120,048	98,322	21,726
Co-Curricular Activities	4,095	2,716	1,379
Site Improvement	298,750	216,651	82,099
Architecture & Engineering	46,500	9,723	36,777
Repayment of Debt	425,000	418,714	6,286
<b>Total Expenditures</b>	<b>6,771,431</b>	<b>6,292,692</b>	<b>478,739</b>
Excess of Revenue Over (Under) Expenditures	(546,076)	1,594	547,670
<b>Other Financing Sources (Uses):</b>			
Sale & Loss of Assets	1,200	1,215	15
Transfers-in	26,633	26,633	0
Refund of Prior Year Expenditures	1,275	1,275	0
Transfer-Out	(32,988)	(32,988)	0
<b>Total Other Sources (Uses)</b>	<b>(3,880)</b>	<b>(3,865)</b>	<b>15</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>			
Beginning Fund Balance	1,351,047	1,351,047	0
Prior Year Carry Over Encumbrances	100,862	100,862	0
<b>Ending Fund Balance</b>	<b>\$901,953</b>	<b>1,449,638</b>	<b>\$547,685</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Berne Union Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Retained Earnings**  
**All Proprietary Fund Types**  
**Year Ended June 30, 2000**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
<b>Operating Revenues:</b>			
Food Service	\$131,882	0	\$131,882
Classroom Materials & Fees	6,325	0	6,325
Miscellaneous	0	380,092	380,092
<b>Total Operating Revenue</b>	<u>138,207</u>	<u>380,092</u>	<u>518,299</u>
<b>Operating Expenses:</b>			
Purchased Services	200,672	6,393	207,065
Supplies and Materials	20,488	0	20,488
Other Expenses	0	368,462	368,462
Depreciation	11,972	0	11,972
<b>Total Operating Expense</b>	<u>233,132</u>	<u>374,855</u>	<u>607,987</u>
<b>Operating Profit/Loss</b>	(94,925)	5,237	(89,688)
<b>Non-Operating Revenues:</b>			
Earnings on Investment	748	0	748
Miscellaneous	268	0	268
State Unrestricted Grants-In-Aid	2,240	0	2,240
Federal Restricted Grants-In-Aid	59,062	0	59,062
<b>Total Non-Operating Revenue</b>	<u>62,318</u>	<u>0</u>	<u>62,318</u>
<b>Non-Operating Expenses:</b>			
Loss on Disposal of Assets	514	0	514
<b>Total Non-Operating Expenses</b>	<u>514</u>	<u>0</u>	<u>514</u>
<b>Net Income (Loss) Before Operating Transfers</b>	(33,121)	5,237	(27,884)
<b>Transfers-In</b>	<u>6,355</u>	<u>0</u>	<u>6,355</u>
<b>Net Income (Loss)</b>	(26,766)	5,237	(21,529)
<b>Beginning Retained Earnings</b>	<u>(20,495)</u>	<u>57,691</u>	<u>37,196</u>
<b>Retained Earnings at End of Year</b>	<u><u>\$(47,261)</u></u>	<u><u>62,928</u></u>	<u><u>\$15,667</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**Berne Union Local School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 Year Ended June 30, 2000**

	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Flows from Operating Activities</b>			
Operating Loss	\$(94,925)	5,237	\$(89,688)
<b>Adjustment to Reconcile Operating Loss To Net Cash used in Operating Activities:</b>			
Depreciation	11,972	0	11,972
<b>Net (Increases) Decreases in Assets:</b>			
Cash with Fiscal Agent	0	23,135	23,135
Accounts Receivable	20	0	20
Intergovernmental Receivables	402	0	402
Inventory	1,217	0	1,217
<b>Net Increases (Decreases) in Liabilities:</b>			
Claims Payable	0	(18,899)	(18,899)
Accounts Payable	(283)	507	224
Deferred Revenue	(1,318)	0	(1,318)
<b>Net Adjustments</b>	<b>12,010</b>	<b>4,743</b>	<b>16,753</b>
<b>Net Cash Used in Operating Activities</b>	<b>(82,915)</b>	<b>9,980</b>	<b>(72,935)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Earnings on Investment	748	0	748
Other	268	0	268
Transfers from Other Funds	6,355	0	6,355
Grants from State Sources	2,240	0	2,240
Grants from Federal Sources	59,062	0	59,062
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>68,673</b>	<b>0</b>	<b>68,673</b>
<b>Cash Flows from Capital Financing Activities:</b>			
Acquisition of Capital Assets	(1,132)	0	(1,132)
<b>Net Cash Used for Capital Financing Activities</b>	<b>(1,132)</b>	<b>0</b>	<b>(1,132)</b>
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	(15,374)	9,980	(5,394)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>18,830</b>	<b>11,795</b>	<b>30,625</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$3,456</b>	<b>21,775</b>	<b>\$25,231</b>

See Accompanying Notes to the General Purpose Financial Statements.

Notes to the General Purpose Financial Statements  
June 30, 2000

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Berne Union Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999, was 991. The District employed 4 administrative and supervisory personnel, 61 certified employees and 29 non-certificated employees. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance

Notes to the General Purpose Financial Statements  
June 30, 2000

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

**B. Fund Accounting**

The 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

**Special Revenue Funds** - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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

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

**Proprietary Fund Types:**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

**Internal Service Funds** - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

**Agency Funds** - These funds are purely custodial and thus do not involve measurement of results of operations.

**Account Groups:**

Account groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

**General Fixed Assets Account Group** - This account group is used to account for all of the District's fixed assets other than those accounted for in the proprietary funds.

**General Long-Term Debt Account Group** - This account group is used to account for all of the District's long-term obligations other than those accounted for in the proprietary funds.

C. **Measurement Focus/Basis of Accounting**

The modified accrual basis of accounting is followed for governmental funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on the balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
  - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.

Notes to the General Purpose Financial Statements  
June 30, 2000

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

- b) Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2000 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: General long term obligation principal and interest are reported only when due and the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

**D. Budget and Budgetary Accounting**

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A tax budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Board of Education normally adopts the tax budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1 of each year for the period July 1 to June 30. If the Board has not received either the amended certificate of estimated resources or certification that no amended certificates need be issued as required by Section 5705.36 (B), the adoption of the annual appropriation measure is delayed until the certification or certificate is received. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June.

Notes to the General Purpose Financial Statements  
June 30, 2000

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education.

Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund.

- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
  - b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
  - c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
  - d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP).
- 5) Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the 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.

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet. During the fiscal year, all investments were limited to STAR Ohio, escrow accounts 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 and nonnegotiable certificates of deposit, are reported at cost.

Notes to the General Purpose Financial Statements  
June 30, 2000

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

Interest income earned in fiscal year 2000 totaled \$115,070. Following Ohio statutes, the Board of Education has, by resolution, specified the bond retirement fund, the building fund, the classroom facilities fund, and the food service fund to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$66,744.

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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

G. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2000. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due, and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2000, and, accordingly, have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible. The fair value of taxes receivable is the same as carrying value.

H. Inventories

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. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies and are expended when used.

Notes to the General Purpose Financial Statements  
June 30, 2000

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. Examples of prepaid items are equipment maintenance agreements, vehicle insurance, liability insurance, and building and contents insurance.

J. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

K. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, 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 District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

School Bus Funding

Special Revenue Fund

Educational Management Information Systems

Textbook/Instructional Materials

Capital Project Fund

SchoolNet Plus

Technology Equity

Notes to the General Purpose Financial Statements  
June 30, 2000

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Non-Reimbursable Grants:**

**Special Revenue Funds**

Data Communication  
Drug Free Schools  
Teacher Development  
Title I  
Title VI  
Title VIB  
Title VI-R

**Reimbursable Grants:**

**General Fund**

CAFS and Vocational Education Reimbursement  
Driver Education Reimbursement

**Proprietary Funds**

National School Lunch Program  
Government Donated Commodities

**Capital Project Fund**

Classroom Facilities State Funds

Grants and entitlements amounted to approximately 51% of the District's operating revenue during the 2000 fiscal year.

L. **Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2000, the District had no amounts in "Due to Other Funds" and no "Interfund Receivables/Payables."

M. **Advances to Other Funds**

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicate they do not constitute expendable available financial resources and, therefore, are not available for appropriation. At June 30, 2000, the District had no long-term interfund loans.

N. **Compensated Absences**

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees, or class or group of employees, will become eligible to receive termination payments. All employees with fifteen or more years of service are included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these 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 debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

O. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The 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. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2000, the District had contributed capital in the amount of \$132,786.

P. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. The fair value of the District's long-term debt is estimated on the quoted market prices for the same or similar debt or on the current notes offered to the District for debt of the same remaining maturities based on current borrowing notes and remaining maturities. The fair value of long-term debt approximates the carrying amount.

Notes to the General Purpose Financial Statements  
June 30, 2000

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

**Q. Interfund Transactions**

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

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

**R. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, encumbrances, budget stabilization and future appropriations. The reserve for future appropriations represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**S. Memorandum Only - Total Columns**

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

**T. Accounts Payable**

The fair value and carrying value of trade accounts payable are approximately the same.

**U. 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.

Notes to the General Purpose Financial Statements  
June 30, 2000

**2. BUDGETARY BASIS OF ACCOUNTING**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type at June 30, 2000:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Fiduciary Fund Type				
	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$190,761	18,626	111,509	\$25,963
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(2,188)	6,923	918	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(132,997)	(12,849)	0	(208,444)
Due to Other Uses:				
Net Adjustments to Other Uses	(493)	0	0	0
Budget Basis	\$55,083	12,700	112,427	\$(182,481)

**3. ACCOUNTABILITY AND COMPLIANCE**

Pursuant to Section 117.11(A) of the Revised Code, Jones, Cochenour & Company, Independent Auditors, performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

**4. DEFICITS**

Retained Earnings at June 30, 2000, included the following individual deficit:

Enterprise Fund: Food Service (\$47,990)

**5. CASH AND CASH EQUIVALENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Notes to the General Purpose Financial Statements  
June 30, 2000

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5. CASH AND CASH EQUIVALENTS - CONTINUED

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

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

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or any other obligation 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) Bond 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 (STAR Ohio); and
- 7) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not presented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand:** At year end, the District had \$100 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

Notes to the General Purpose Financial Statements  
June 30, 2000

5. CASH AND CASH EQUIVALENTS - CONTINUED

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 District's deposits was (\$24,259) and the bank balance was \$21,256. All of the bank balance was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
Repurchase Agreement	\$ 62,179	\$ 62,179	\$ 62,179
Escrow Accounts	2,411	2,411	2,411
STAR Ohio		1,807,077	1,807,077
<b>Total Investments</b>	<b>\$ 64,590</b>	<b>\$ 1,871,667</b>	<b>\$ 1,871,667</b>

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 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,847,508	\$ 0
<b>Investments:</b>		
Repurchase Agreement	(62,179)	62,179
Escrow Accounts	(2,411)	2,411
STAR Ohio	(1,807,077)	1,807,077
<b>Total</b>	<b>(24,159)</b>	<b>1,871,667</b>
Cash on Hand	(100)	0
<b>GASB Statement No. 3</b>	<b>\$ (24,259)</b>	<b>\$ 1,871,667</b>

Notes to the General Purpose Financial Statements  
June 30, 2000

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**6. PROPERTY TAX**

Property taxes are levied, assessed, and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Fairfield and Hocking County Auditors at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1995, and an update occurred in 1998.

The next revaluation is scheduled for 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Fairfield and Hocking County Auditors usually file for an extension in sending out tax bills so payment is due by February 14). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually. The first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value, and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fairfield and Hocking County Treasurers collect property tax on behalf of the District and the Fairfield and Hocking County Auditors remit to the District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35, since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2000, for operations was \$44.40 per \$1,000 of assessed valuation and \$6.50 per \$1,000 of assessed valuation for bonded debt. The assessed values of real and tangible personal property on which the fiscal year 2000 taxes were collected are as follows:

Real Property-Commercial/Industrial	\$4,519,720
Real Property-Residential/Agricultural	48,752,230
Real Property-Public Utilities	32,960
Real Property-Minerals	303,120
Personal Property-General	2,848,339
Personal Property-Public Utilities	20,009,110
	<hr/>
Total Assessed Value	<u>\$ 76,465,479</u>

Notes to the General Purpose Financial Statements  
June 30, 2000

**7. RECEIVABLES**

Receivables at June 30, 2000, consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

<b>General Fund:</b>	
Drivers Education Subsidy	\$600
Excess Costs	11,346
CAFS Reimbursement	605
<b>Total General Fund</b>	<b>12,551</b>
 <b>Enterprise Fund:</b>	
Food Service-Federal Subsidy	6,618
<b>Grand Total</b>	<b>\$19,169</b>

**8. FIXED ASSETS**

The following is a summary of the proprietary fund property, plant and equipment at June 30, 2000:

Furniture and Equipment	\$146,791
Less Accumulated Depreciation	(73,250)
<b>Net Fixed Assets</b>	<b>\$73,541</b>

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Land and Improvements	\$66,077	0	0	\$66,077
Buildings	10,282,870	1,670	0	10,284,540
Furniture and Equipment	3,178,471	55,418	101,361	3,132,528
Vehicles	367,213	63,164	0	430,377
 <b>Total General Fixed Assets</b>	<b>\$13,894,631</b>	<b>120,252</b>	<b>101,361</b>	<b>\$13,913,522</b>

There was no significant construction in progress at June 30, 2000.

**9. EMPLOYEE RETIREMENT SYSTEMS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees

**9. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED**

**Retirement Board.** SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$103,524, \$103,140, and \$107,016, respectively; 43.87 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$67,937 representing the unpaid contribution for fiscal year 2000, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$362,268, \$364,284 and \$361,836, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$62,624 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Notes to the General Purpose Financial Statements  
June 30, 2000

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**10. POSTEMPLOYMENT BENEFITS**

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

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. For the District, this amount equaled \$214,711 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$48,975 during the 2000 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999,(the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

**11. COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only Administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The Superintendent and Treasurer are granted twenty days of vacation per year.

**11. COMPENSATED ABSENCES - CONTINUED**

Classified employees earn two weeks (ten days) to four weeks (twenty days) of vacation per year, depending upon length of service. Employees shall be entitled to accumulate any and all unused vacation for a total equivalent to the maximum earned in a two year period. Vacation days will be earned and accrued on a monthly basis and may be taken when earned. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-9	10
10-19	15
20-beyond	20

Each regular employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certificated and classified employees is 235 days.

For qualified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty-five days. All percentages will be calculated on a maximum of 220 days. Classified employees, Treasurer, and Administrators are paid in one lump sum at the time of retirement. Certified employees are paid one-half their severance pay at the time of retirement and the final payment is made twelve months later as per the negotiated agreement.

**12. RISK MANAGEMENT**

**A. General Risk**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, the District maintains a \$1,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$21,237,800. Other property insurance includes musical instruments, equipment, and accessories; media related equipment and accessories; and data processing equipment and accessories.

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

## 12. RISK MANAGEMENT - CONTINUED

### B. Workers Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating 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." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

### C. Health Insurance

The District was self funded with the South Central Ohio Insurance Consortium effective January 1, 1996.

The District joined four other school districts January 1, 1996, to form a regional council of governments in accordance with Ohio Revised Code Chapter 167 and entered into an Agreement Establishing the South Central Ohio Insurance Consortium for the purpose of carrying out a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code, in an effort to minimize risk exposure and control claims and premium costs. Professional Risk Management, Inc. is the third party administrator for the consortium, with Safeco Life Insurance Company as the excess loss carrier. The individual excess loss coverage is \$32,500 individual deductible per person with a \$2,000,000 maximum lifetime reimbursement per person.

The South Central Ohio Insurance Consortium was established to accumulate balances sufficient to self-insure basic medical and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Premiums are paid to the South Central Ohio Insurance Consortium Fund and the Self Insurance Fund of the District from the Internal Service Fund. The cash balance with the fiscal agent at June 30, 2000, was \$67,799. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium. Liabilities at June 30, 2000, are reported at their present value of \$21,762.

Notes to the General Purpose Financial Statements  
June 30, 2000

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12. RISK MANAGEMENT - CONTINUED

A summary of changes in claims for the year ended June 30, 2000 follows:

	June 30, 2000	June 30, 1999
Claim Liabilities at beginning of year	\$44,861	\$53,890
Incurred Claims	392,301	304,465
Claims Paid	(415,400)	(313,494)
Claim Liabilities at end of year	<u>\$21,762</u>	<u>\$44,861</u>

The following is a summary of insurance premiums paid for health benefits:

	June 30, 2000
Board Contributions	\$281,998
Employee Contributions	62,253
Total Contributions	<u>\$344,251</u>

\$ 333,401 was paid to the South Central Ohio Insurance Consortium fiscal agent and \$10,850 was receipted into the District's partial insurance fund for medical insurance.

The District was self funded for dental insurance during fiscal year 2000, with Professional Risk Management (PRM), a third party administrator, processing claims. PRM was paid an administrative fee of \$1.95 per covered employee per month.

The District was fully funded by Vision Service Plan for optical insurance during fiscal year 2000.

13. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance			Balance
	July 1, 1999	Additions	Deletions	June 30,2000
Intergovernmental Payable	\$48,464	50,240	48,464	\$50,240
General Obligation Bonds Payable	4,605,000	0	175,000	4,430,000
Compensated Absences Payable	357,233	415,598	357,233	415,598
State Construction Loan	5,970,262	0	38,994	5,931,268
	<u>\$10,980,959</u>	<u>465,838</u>	<u>619,691</u>	<u>\$10,827,106</u>

Notes to the General Purpose Financial Statements  
June 30, 2000

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13. NOTES AND LONG-TERM DEBT - CONTINUED

On November 8, 1994, the voters of the District passed a .5 mill levy to qualify for State Building Assistance Funds. The District received a \$6,120,000 interest free loan from the State of Ohio for the construction and reconstruction of classroom facilities. The outstanding balance of \$5,931,268 is payable over the next 19 years from property tax collections repaid at the rate of one-half mill until the loan is paid or the total time of 23 years expires. During fiscal year 2000, the District repaid \$38,994 of the state loan. The state loan is exempt from debt limitations.

Pursuant to changes to Section 3318.082 ORC made in SB102, the school districts which have participated in the building assistance program may enter into a supplemental agreement with the Ohio School Facilities Commission in order that proceeds of the half-mill tax can be distributed in accordance with Section 3318.06 ORC as amended by Amended Substitute House Bill number 748 of the 121st General Assembly. This change allows the District to retain half of the half-mill locally for maintenance of classroom facilities constructed or renovated through building assistance as the District's adjusted valuation per pupil is greater than the statewide median adjusted valuation per pupil. If the district's adjusted valuation per pupil is less than the statewide median adjusted valuation per pupil in a given year, the District will be notified that all such proceeds shall be used for maintenance. Effective January 1, 1999, the District retained the half-mill locally as per the supplemental agreement.

The \$4,430,000 of outstanding general obligation bonds relate to a project for which bonds were issued in 1993 for the purpose of constructing and reconstructing the District's K-12 building and for improving the site. The bonds mature December 2014, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The annual maturities of the general obligation bonds as of June 30, 2000, and related interest payments are as follows:

	Principal	Interest	Payment
FY2001	\$190,000	232,673	\$422,673
FY2002	205,000	220,723	425,723
FY2003	225,000	207,716	432,716
FY2004	240,000	195,150	435,150
FY2005	255,000	183,143	438,143
FY2006 and thereafter	3,315,000	910,177	4,225,177
	<u>\$4,430,000</u>	<u>1,949,582</u>	<u>\$6,379,582</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .01% of the total assessed value of property. The District's unvoted debt margin is \$76,465 and the District has no unvoted debt. The voted debt margin at June 30, 2000, is \$6,881,893.

Notes to the General Purpose Financial Statements  
June 30, 2000

14. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2000, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$131,882	6,325	\$138,207
Operating Expenses:			
Depreciation	(11,972)	0	(11,972)
Other Expenses	(214,111)	(7,049)	(221,160)
Total Operating Expenses	<u>(226,083)</u>	<u>(7,049)</u>	<u>(233,132)</u>
Operating Loss	(94,201)	(724)	(94,925)

	Lunchroom Fund	Uniform School Supply Fund	Total
Non Operating Revenues and Expenses:			
State and Federal Grants	52,106	0	52,106
Federal Commodities	9,196	0	9,196
Other Net	1,016	0	1,016
Loss on Disposed Assets	(514)	0	(514)
Transfers In	5,105	1,250	6,355
Net Income	<u>\$(27,292)</u>	<u>526</u>	<u>\$(26,766)</u>
Contributed Capital	<u>\$132,786</u>	<u>0</u>	<u>\$132,786</u>
Net Working Capital	<u>\$11,257</u>	<u>729</u>	<u>\$11,986</u>
Total Assets	<u>\$86,715</u>	<u>729</u>	<u>\$87,444</u>
Retained Earnings	<u>\$(47,990)</u>	<u>729</u>	<u>\$(47,261)</u>

15. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council (MEC) is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in, or ongoing financial responsibility for, MEC. MEC provides computer services to the District.

15. JOINTLY GOVERNED ORGANIZATIONS - CONTINUED

South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees.

16. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2000.

17. 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 District. During the fiscal year ended June 30, 2000, the District received \$2,724,097 of school foundation support for its general fund.

The Court also declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided funds to build schools and furnish classrooms; and, as of June 30, 2000, the District had received a total of \$6,120,000 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the

Notes to the General Purpose Financial Statements  
June 30, 2000

**17. STATE SCHOOL FUNDING DECISION - CONTINUED**

General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**18. OPERATING LEASES**

The District leases copiers under operating leases expiring in various years. Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year as of June 30, 2000, for each of the next two years and in the aggregate are:

	Amount
FY2001	\$22,581
FY2002	13,172
	\$35,753
	\$35,753

**19. STATUTORY RESERVES**

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

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$ 66,580	\$ 66,580
Current Year Set-Aside Requirement	114,875	114,875	38,995	268,745
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(140,772)	(201,128)	0	(341,900)
<b>Total</b>	<b>\$ (25,897)</b>	<b>(86,253)</b>	<b>105,575</b>	<b>\$ (6,575)</b>
Cash Balance Carried Forward to FY2000	\$ 0	\$ 0	\$ 105,575	
Amount Restricted for Budget Stabilization				\$ 105,575
<b>Total Restricted Assets</b>				<b>\$ 105,575</b>

**Notes to the General Purpose Financial Statements  
June 30, 2000**

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**19. STATUTORY RESERVES – CONTINUED**

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero and these amounts may be used to reduce the set-aside requirement of future years, the District chose not to carry these amounts forward to the next fiscal year.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Berne Union Local School District  
Sugar Grove, Ohio

We have audited the general purpose financial statements of Berne Union Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated September 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Berne Union Local School District's general purpose 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Berne Union Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose 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.

This report is intended for the information and use of the board of education, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.  
September 29, 2000

**CONCLUSION STATEMENT**

**The draft audit report was furnished to the District officials. They elected to waive a formal post audit conference in a verbal communication on October 5, 2000.**



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**BERNE UNION LOCAL SCHOOL DISTRICT**  
**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 14, 2000**