



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Dalton Local School District
Wayne County
P.O. Box 514
Dalton, Ohio 44618

To the Board of Education:

We have audited the accompanying financial statements of Dalton Local School District, Wayne County, Ohio, (the District) as of and for the years ended June 30, 2000 and 1999, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District as of June 30, 2000 and 1999, and its combined cash receipts and cash disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedules of Receipts and Expenditures of Federal Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Board of Education, and other officials authorized to receive this report under section 117.26, Ohio Rev. Code and is not intended to be and should not be used by anyone other than those specified parties.

Jim Petro
Auditor of State

August 7, 2000

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH
BALANCES - ALL FUND TYPES
AS OF JUNE 30, 2000 AND 1999

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Cash, Cash Equivalents and Investments	\$2,447,448	\$2,263,044

BALANCES BY FUND TYPE

Governmental Funds:		
General Fund	\$2,039,712	\$1,922,130
Special Revenue Funds	242,475	225,724
Capital Projects Funds	80,750	40,222
Proprietary Funds:		
Enterprise Fund	1,239	631
Internal Service Fund	23,141	31,643
Fiduciary Fund:		
Agency Fund	<u>60,131</u>	<u>42,694</u>
Total	<u><u>\$2,447,448</u></u>	<u><u>\$2,263,044</u></u>

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types	
	General	Special Revenue
RECEIPTS		
Local Sources:		
Taxes	\$2,501,748	
Tuition	11,310	
Investment Earnings	104,246	
Extracurricular Activities		\$138,576
Classroom Materials and Fees	2,329	
Miscellaneous	40,286	15,943
	2,659,919	154,519
Total Local Sources	2,659,919	154,519
State Sources:		
Unrestricted Grants-In-Aid	2,690,743	
Restricted Grants-In-Aid	19,442	328,240
	2,710,185	328,240
Total State Sources	2,710,185	328,240
Federal Sources:		
Unrestricted Grants-In-Aid		
Restricted Grants-In-Aid		246,712
		246,712
Total Federal Sources		246,712
Total Receipts	5,370,104	729,471

Capital Projects	Total (Memorandum Only)
\$169,738	\$2,671,486
	11,310
2,719	106,965
	138,576
	2,329
	56,229
172,457	2,986,895
17,119	2,707,862
38,096	385,778
55,215	3,093,640
	246,712
	246,712
227,672	6,327,247

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

	Governmental Fund Types	
	General	Special Revenue
DISBURSEMENTS		
Instruction:		
Regular	2,532,715	43,582
Special	222,931	177,362
Vocational Education	109,619	
	<hr/>	<hr/>
Total Instruction	2,865,265	220,944
Support Services:		
Pupils	153,790	74,227
Instructional Staff	362,267	73,800
Board of Education	14,109	3,276
School Administration	534,558	
Fiscal	172,707	
Business	9,449	
Operations and Maintenance	597,589	60
Student Transportation	303,373	
Support Services - Central	6,836	3,500
	<hr/>	<hr/>
Total Support Services	2,154,678	154,863
Operation of Non-Instructional Services:		
Community Services		262,286
Extracurricular Activities:		
Academic and Subject Oriented	14,403	
Sports Oriented	155,677	72,501
Co-Curricular Activities	14,138	
	<hr/>	<hr/>
Total Extracurricular Activities	184,218	72,501

Capital Projects	Total (Memorandum Only)
	2,576,297
	400,293
	109,619
	3,086,209
	228,017
	436,067
	17,385
	534,558
	172,707
	9,449
	597,649
	303,373
	10,336
	2,309,541
	262,286
	14,403
	228,178
	14,138
	256,719

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

	Governmental Fund Types	
	General	Special Revenue
Facilities Acquisition and Construction Services: Site Improvement	70	
Total Disbursements	5,204,231	710,594
Excess of Receipts Over (Under) Disbursements	165,873	18,877
Other Financing Sources (Uses)		
Transfers-In		1,436
Advances-In	80,680	6,506
Advances-Out	(128,718)	(8,885)
Transfers-Out	(253)	(1,183)
Total Other Financing Sources (Uses)	(48,291)	(2,126)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	117,582	16,751
Fund Cash Balances, July 1, 1999	1,922,130	225,724
Fund Cash Balances, June 30, 2000	\$2,039,712	\$242,475
Reserves for Encumbrances	\$109,386	\$57,282

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

<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<u>212,479</u>	<u>212,549</u>
<u>212,479</u>	<u>6,127,304</u>
15,193	199,943
25,335	1,436 112,521 (137,603) (1,436)
<u>25,335</u>	<u>(25,082)</u>
40,528	174,861
<u>40,222</u>	<u>2,188,076</u>
<u>\$80,750</u>	<u>\$2,362,937</u>
<u>\$42,653</u>	<u>\$209,321</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING RECEIPTS		
Food Service	\$143,253	
Extracurricular Activities		
Total Operating Receipts	143,253	
OPERATING DISBURSEMENTS		
Personal Services-Salaries	102,621	
Employees' Retirement and Insurance	24,151	\$37,059
Supplies and Materials	74,655	
Other Objects		
Total Operating Disbursements	201,427	37,059
Excess of Operating Receipts Over (Under) Operating Disbursements	(58,174)	(37,059)
NONOPERATING RECEIPTS		
Miscellaneous	246	28,557
State Sources		
Unrestricted Grants-In-Aid	1,437	
Federal Sources		
Restricted Grants-In-Aid	32,017	
Total Nonoperating Receipts	33,700	28,557
Excess of Receipts Over (Under) Disbursements	(24,474)	(8,502)
Advances-In	96,877	
Advances-Out	(71,795)	
Net Excess of Receipts Over Disbursements	608	(8,502)
Fund Cash Balances, July 1, 1999	631	31,643
Fund Cash Balances, June 30, 2000	\$1,239	\$23,141
Reserves for Encumbrances	\$1,239	\$0

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

<u>Fiduciary Fund Type</u>	<u>Total</u>
<u>Agency</u>	<u>(Memorandum Only)</u>
	\$143,253
<u>\$110,722</u>	<u>110,722</u>
110,722	253,975
	102,621
	61,210
1,149	75,804
<u>94,418</u>	<u>94,418</u>
<u>95,567</u>	<u>334,053</u>
15,155	(80,078)
2,282	31,085
	1,437
	<u>32,017</u>
<u>2,282</u>	<u>64,539</u>
<u>17,437</u>	<u>(15,539)</u>
	96,877
	<u>(71,795)</u>
17,437	9,543
<u>42,694</u>	<u>74,968</u>
<u>\$60,131</u>	<u>\$84,511</u>
<u>\$17,209</u>	<u>\$18,448</u>

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2000

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General	\$5,432,438	\$5,450,784	\$18,346
Special Revenue	798,496	737,413	(61,083)
Capital Projects	217,861	253,007	35,146
Proprietary:			
Enterprise	346,257	273,830	(72,427)
Internal Service	33,997	28,557	(5,440)
Fiduciary:			
Agency	<u>114,620</u>	<u>113,004</u>	<u>(1,616)</u>
Total (Memorandum Only)	<u><u>\$6,943,669</u></u>	<u><u>\$6,856,595</u></u>	<u><u>(\$87,074)</u></u>

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2000

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2000 Appropriations</u>	<u>Total</u>
Governmental:			
General	\$62,334	\$5,442,589	\$5,504,923
Special Revenue	52,196	787,088	839,284
Capital Projects	2,950	255,133	258,083
Proprietary:			
Enterprise	631	274,461	275,092
Internal Service	5,440	37,059	42,499
Fiduciary:			
Agency	<u>1,528</u>	<u>112,864</u>	<u>114,392</u>
Total (Memorandum Only)	<u><u>\$125,079</u></u>	<u><u>\$6,909,194</u></u>	<u><u>\$7,034,273</u></u>

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

<u>Actual 2000 Disbursements</u>	<u>Encumbrances Outstanding At 6-30-2000</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$5,333,202	\$109,386	\$5,442,588	\$62,335
720,662	57,282	777,944	61,340
212,479	42,653	255,132	2,951
273,222	1,239	274,461	631
37,059		37,059	5,440
<u>95,567</u>	<u>17,209</u>	<u>112,776</u>	<u>1,616</u>
<u><u>\$6,672,191</u></u>	<u><u>\$227,769</u></u>	<u><u>\$6,899,960</u></u>	<u><u>\$134,313</u></u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types	
	General	Special Revenue
RECEIPTS		
Local Sources:		
Taxes	\$2,475,703	
Tuition	8,785	
Investment Earnings	98,596	
Extracurricular Activities		\$162,037
Classroom Materials and Fees	2,663	
Miscellaneous	42,050	7,233
	2,627,797	169,270
Total Local Sources		
State Sources:		
Unrestricted Grants-In-Aid	2,572,553	
Restricted Grants-In-Aid	75,723	286,584
	2,648,276	286,584
Total State Sources		
Federal Sources:		
Restricted Grants-In-Aid		300,420
		300,420
Total Federal Sources		
Total Receipts	5,276,073	756,274

<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
\$167,856	\$2,643,559
	8,785
	98,596
	162,037
	2,663
	49,283
<u>167,856</u>	<u>2,964,923</u>
16,643	2,589,196
	362,307
<u>16,643</u>	<u>2,951,503</u>
	<u>300,420</u>
	<u>300,420</u>
<u>184,499</u>	<u>6,216,846</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	Governmental Fund Types	
	General	Special Revenue
DISBURSEMENTS		
Instruction:		
Regular	2,407,352	24,432
Special	206,653	172,987
Vocational Education	112,810	
Other	81,079	
	<hr/>	<hr/>
Total Instruction	2,807,894	197,419
Support Services:		
Pupils	143,601	85,908
Instructional Staff	243,508	69,698
Board of Education	13,817	
School Administration	499,648	2,005
Fiscal	181,252	505
Business	5,784	
Operations and Maintenance	547,329	50
Student Transportation	289,028	
Support Services - Central	77,219	3,374
	<hr/>	<hr/>
Total Support Services	2,001,186	161,540
Operation of Non-Instructional Services:		
Community Services		194,876
Extracurricular Activities:		
Academic and Subject Oriented	13,554	
Sports Oriented	150,521	79,156
Co-Curricular Activities	14,137	
	<hr/>	<hr/>
Total Extracurricular Activities	178,212	79,156

Capital Projects	Total (Memorandum Only)
	2,431,784
	379,640
	112,810
	81,079
	3,005,313
59,280	229,509
	372,486
	13,817
	501,653
	181,757
	5,784
	547,379
	289,028
	80,593
59,280	2,222,006
	194,876
	13,554
	229,677
	14,137
	257,368

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	Governmental Fund Types	
	General	Special Revenue
Facilities Acquisition and Construction Services: Site Improvement	70	
Total Disbursements	4,987,362	632,991
Excess of Receipts Over (Under) Disbursements	288,711	123,283
Other Financing Sources (Uses)		
Transfers-In	19,304	42,204
Advances-In	197,924	8,885
Refund of Prior Year Expenditures		18
Advances-Out	(80,680)	(47,531)
Transfers-Out	(48,653)	(44,332)
Refund of Prior Year Receipts		(17,445)
Total Other Financing Sources (Uses)	87,895	(58,201)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	376,606	65,082
Fund Cash Balances, July 1, 1998	1,545,524	160,642
Fund Cash Balances, June 30, 1999	\$1,922,130	\$225,724
Reserves for Encumbrances	\$62,334	\$52,196

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

<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<u>100,717</u>	<u>100,787</u>
<u>159,997</u>	<u>5,780,350</u>
24,502	436,496
31,477	92,985
	206,809
	18
(103,081)	(231,292)
	(92,985)
	(17,445)
<u>(71,604)</u>	<u>(41,910)</u>
(47,102)	394,586
<u>87,324</u>	<u>1,793,490</u>
<u>\$40,222</u>	<u>\$2,188,076</u>
<u>\$2,950</u>	<u>\$117,480</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING RECEIPTS		
Food Service	\$131,903	
Extracurricular Activities		
Total Operating Receipts	131,903	
OPERATING DISBURSEMENTS		
Personal Services-Salaries	97,014	
Employees' Retirement and Insurance	21,722	\$31,071
Supplies and Materials	78,772	
Other Objects		
Total Operating Disbursements	197,508	31,071
Excess of Operating Receipts Over (Under) Operating Disbursements	(65,605)	(31,071)
NONOPERATING RECEIPTS		
Miscellaneous	407	31,926
State Sources		
Unrestricted Grants-In-Aid	1,357	
Federal Sources		
Restricted Grants-In-Aid	33,353	
Total Nonoperating Receipts	35,117	31,926
Excess of Receipts Over (Under) Disbursements	(30,488)	855
Advances-In	71,795	
Advances-Out	(47,312)	
Net Excess of Receipts Over Disbursements	(6,005)	855
Fund Cash Balances, July 1, 1998	6,636	30,788
Fund Cash Balances, June 30, 1999	\$631	\$31,643
Reserves for Encumbrances	\$631	\$5,440

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

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Agency</u>	
	\$131,903
<u>\$105,807</u>	<u>105,807</u>
105,807	237,710
	97,014
	52,793
1,095	79,867
<u>110,502</u>	<u>110,502</u>
<u>111,597</u>	<u>340,176</u>
(5,790)	(102,466)
510	32,843
	1,357
	<u>33,353</u>
<u>510</u>	<u>67,553</u>
<u>(5,280)</u>	<u>(34,913)</u>
	71,795
	<u>(47,312)</u>
(5,280)	(10,430)
<u>47,974</u>	<u>85,398</u>
<u>\$42,694</u>	<u>\$74,968</u>
<u>\$1,528</u>	<u>\$7,599</u>

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1999

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General	\$5,584,433	\$5,493,301	(\$91,132)
Special Revenue	758,656	807,363	48,707
Capital Projects	282,960	215,976	(66,984)
Proprietary:			
Enterprise	292,762	238,815	(53,947)
Internal Service	34,255	31,926	(2,329)
Fiduciary:			
Agency	<u>154,290</u>	<u>106,317</u>	<u>(47,973)</u>
Total (Memorandum Only)	<u><u>\$7,107,356</u></u>	<u><u>\$6,893,698</u></u>	<u><u>(\$213,658)</u></u>

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 1999

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental:			
General	\$91,382	\$5,178,808	\$5,270,190
Special Revenue	14,376	794,276	808,652
Capital Projects	87,322	266,027	353,349
Proprietary:			
Enterprise	6,636	245,450	252,086
Internal Service	2,330	36,510	38,840
Fiduciary:			
Agency	<u>16,265</u>	<u>113,125</u>	<u>129,390</u>
Total (Memorandum Only)	<u><u>\$218,311</u></u>	<u><u>\$6,634,196</u></u>	<u><u>\$6,852,507</u></u>

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

<u>Actual 1999 Disbursements</u>	<u>Encumbrances Outstanding At 6-30-1999</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$5,116,695	\$62,334	\$5,179,029	\$91,161
742,299	52,196	794,495	14,157
263,078	2,950	266,028	87,321
244,820	631	245,451	6,635
31,071	5,440	36,511	2,329
<u>111,597</u>	<u>1,528</u>	<u>113,125</u>	<u>16,265</u>
<u><u>\$6,509,560</u></u>	<u><u>\$125,079</u></u>	<u><u>\$6,634,639</u></u>	<u><u>\$217,868</u></u>

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Dalton Local School District (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 school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education, and is responsible for providing public education to residents of the District.

Average daily membership as of October 1, 1999 and 1998 was 1,021 and 1,058, respectively. The District roughly employed 70 certificated employees and 45 non-certificated employees at those dates.

Management believes the financial statements included in this report represent all of the funds over which the District has the ability to exercise direct operating control.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

C. Cash and Investments

Certificates of deposit, U.S. Government Agency Obligations, and Treasury Notes are valued at cost. The mutual fund is recorded at market value as of June 30, 2000 and 1999.

D. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the specific recording of receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

Proprietary Funds

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

Internal Service Fund is used to 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

Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, other governmental units, and/or other funds.

E. Budgetary Process

1. Budget

A 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 period July 1 to June 30 of the following year.

2. Estimated Resources

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. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown in the accompanying financial statements do not include July 1, 1999 and July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as site improvement disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. POOLED CASH AND INVESTMENTS

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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

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 represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - At June 30, 2000 and 1999, the carrying amount of the District's deposits were \$254,995 and \$227,672, respectively. Also, at June 30, 2000 and 1999 the bank balances were \$280,172 and \$261,760. Deposits were either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments

The District's investments are required to be categorized to give an indication of the level of custodial credit 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 securities 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.

	Category 1	Category 2	Category 3	Carrying Value
2000				
Money Market Fund				\$225,094
U.S. Government Agency Obligations			\$1,629,803	1,629,803
Mutual Fund				<u>337,556</u>
Total				<u>\$2,192,453</u>
1999				
Money Market Fund				\$180,887
U.S. Government Agency Obligations			\$900,876	900,876
Mutual Fund				702,437
U.S. Treasury Notes			251,172	<u>251,172</u>
Total				<u>\$2,035,372</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

Investments (Continued)

Investments in Money Market and Mutual Funds are not categorized investments because they are not evidenced by securities that exist in a physical or book entry form.

Restricted Cash - Included in the June 30, 2000 and 1999 General Fund cash balances is restricted cash and cash equivalents of \$105,837 and \$49,191 respectively, set aside to establish budget reserves. These reserves are required by State statute and can be used only after receiving approval from the State. The June 30, 2000 and 1999 General Fund cash balances also include restricted cash of \$158,756 and \$82,727 to fund the District's Textbooks and Instruction Materials reserve. This reserve may be spent on other things besides textbooks if certain conditions in the statute are satisfied. For fiscal year 1999, the District satisfactorily funded the required set-asides.

Noncompliance - The District invested in eligible securities other than those permitted under Ohio Rev. Code 135.14 (B)(3) and STAR Ohio. These investments were made without the completion of required annual continuing education programs for treasurers provided by the Treasurer of State.

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1998.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) years 2000 and 1999 was \$47.70 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rates were \$26.33 and \$28.80 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$31.31 and \$31.49 per \$1,000 of assessed valuation for all other real property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax (calendar) year 2000 and 1999 was \$47.70 per \$1,000 of assessed valuation.

The Wayne County Treasurer collects property tax on behalf of all taxing districts within the county. The Wayne County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

4. INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

5. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information 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 the STRS, upon recommendation of its consulting actuary. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$432,086, \$388,660, and \$345,762, respectively, equal to the required contributions for each year.

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

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 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 amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$149,038, \$136,116, and \$101,304, respectively, equal to the required contributions for each year.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

6. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the Board allocated employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund. For the fiscal year ended June 30, 1999, the allocation was 8% of covered payroll. For the District, this amount equaled \$19,242 during fiscal year 2000 and \$70,089 during fiscal 1999 respectively.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS statewide were \$249,929 and STRS had 95,796 eligible benefit recipients statewide.

June 30, 1999 is the latest date for which information is available.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate was 6.3 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established as \$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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care statewide at June 30, 1999, the latest information available, were \$126,380,984 and the target level was \$189.6 million.

At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188.0 million, at cost. SERS has approximately 51,000 statewide participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$47,944 in fiscal year 2000 and \$55,762 in fiscal year 1999.

June 30, 1999 is the latest date for which information is available.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2000 AND 1999
(Continued)**

7. HEALTH INSURANCE

The District provides health insurance to most employees through Medical Mutual of Ohio and dental insurance through Mutual Health Services.

8. CONTINGENCIES

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 or 1999.

9. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal years ended June 30, 2000 and 1999, the School District received \$2,473,207 and \$2,357,129, respectively, of school foundation support for its general fund.

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[ing] further attention, study, and development by the 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 this program and on its financial operations.

**DALTON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	n/a	10.550		\$17,684		\$19,404
National School Lunch Program	050542 04-PU 0000	10.555	\$32,017		\$32,017	
Total U. S. Department of Agriculture – Child Nutrition Cluster			32,017	17,684	32,017	19,404
U. S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	050542 6B-SF 20000 P	84.027	43,830		43,830	
Title I Grants to Local Educational Agencies	050542 C1-S1 1999	84.010	19,370		19,370	
	050542 C1-S1 1999		4,255		25,927	
	050542 C1-S1 2000		166,516		134,606	
Total Title I Grants to Local Educational Agencies			190,141		179,903	
Goals 2000 State and Local Education Systemic Improvement Grant	050542 G2-S4 1998	84.276	(3,000)		409	
Total Goals 2000 State and Local Education Systemic Improvement Grant			(3,000)		409	
Innovative Educational Program Strategies	050542 C2-S1 1999 C	84.298	1,028		579	
	050542 C2-S1 98				1,107	
	050542 C2-S1 99		5,827		3,327	
	050542 C2-S1 2000		2,386		1	
Total Innovative Educational Program Strategies			9,241		5,014	
Class Size Reduction	050542 CR-S1 2000	84.340	21,597		21,597	
Dependent Care Plan	050542 DC-S1 1999	93.673	3,500			
Total U. S. Department of Education			265,309		250,753	
Total			\$297,326	\$17,684	\$282,770	\$19,404

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

**DALTON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	n/a	10.550		\$16,647		\$18,462
National School Lunch Program	050542 04-PU 00	10.555	\$33,353		\$33,353	
Total U. S. Department of Agriculture – Child Nutrition Cluster			33,353	16,647	33,353	18,462
<u>U. S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	050542 6B-SF 98 P 050541 6B-SF 99 P	84.027 84.027	46,056		19,855 46,056	
Total Special Education Grants to States			46,056		65,911	
Title I Grants to Local Educational Agencies	050542 C1-S1 98 050542 C1-S1 99 050542 C1-S1 97 C 050542 C1-S1 98 C	84.010	68,075 145,410 25,104		21,359 123,739 25,104 9,113	
Total Title I Grants to Local Educational Agencies			238,589		179,315	
Goals 2000 State and Local Education Systemic Improvement Grant	050542 G2-S4 98 050542 G2-S2 99	84.276	5,000		3,000 3,684	
Total Goals 2000 State and Local Education Systemic Improvement Grant			5,000		6,684	
Innovative Educational Program Strategies	050542 C2-S1 98	84.298	5,635 553 2,110		5,635 2,500 553 1,003	
Total Innovative Educational Program Strategies			8,298		9,691	
Dependent Care Plan	050542 DC-S1 99	93.575	10,140		13,640	
Total U. S. Department of Education			308,083		275,241	
Total			\$341,436	\$16,647	\$308,594	\$18,462

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE SCHEDULES OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedules of Receipts and Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedules have been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedules at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Dalton Local School District
Wayne County
P.O. Box 514
Dalton, Ohio 44618

To the Board of Education:

We have audited the financial statements of Dalton Local School District, Wayne County, Ohio, (the District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated August 7, 2000 in which we noted the District is reporting on a basis of accounting formerly prescribed or permitted by the Auditor of State. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-10985-001 and 2000-10985-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 7, 2000.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 7, 2000.

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

Jim Petro
Auditor of State

August 7, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2000**

Board of Education
Dalton Local School District
Wayne County
P.O. Box 514
Dalton, Ohio 44618

To the Board of Education:

Compliance

We have audited the compliance of Dalton Local School District, Wayne County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

August 7, 2000



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APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 1999**

Board of Education
Dalton Local School District
Wayne County
P.O. Box 514
Dalton, Ohio 44618

To the Board of Education:

Compliance

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

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

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

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 2000-10985-003.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

August 7, 2000

**DALTON LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000 AND 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

NONCOMPLIANCE

Finding Number	2000-10985-001
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GAAP Reporting

Ohio Admin. Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. For both fiscal 2000 and 1999, the District prepared its financial statements on the basis of accounting formerly prescribed and permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**DALTON LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000 AND 1999**

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

(Continued)

NONCOMPLIANCE (Continued)

Finding Number	2000-10985-002
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Ohio Rev. Code Sections 135.22 requires school district treasurers to complete annual continuing education programs provided by the Treasurer of State unless the school district treasurer annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the school district treasurer is not subject to the continuing education requirements because the school district treasurer invests or deposits public funds in interim deposits pursuant to Ohio Rev. Code Section 135.14 (B)(3) or STAR Ohio pursuant to Ohio Rev. Code Section 135.14(B)(6).

The Treasurer invested in securities other than those permitted under Ohio Rev. Code Section 135.14 (B)(3) and STAR Ohio without completing the annual continuing education programs provided by the Treasurer of State.

The Treasurer should complete the required annual continuing education programs to properly invest District funds in securities other than those permitted under Ohio Rev. Code Section 135.14 (B)(3) or STAR Ohio.

FINDINGS FOR FEDERAL AWARDS

Audit Requirements

Finding Number	2000-10985-003
CFDA Title and Number	N/A
Federal Award Number / Year	N/A
Federal Agency	N/A
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$300,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year.

The District expended \$327,056 in federal awards in fiscal year 98/99 and did not have an annual Single Audit conducted until fiscal year 99/00.

The District should implement monitoring procedures which ensure the District has a Single Audit conducted when required.



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DALTON LOCAL SCHOOL DISTRICT

WAYNE 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 28, 2000**