

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Joseph Badger Local School District
Trumbull County
7000 Chagrin -Greenville Rd
Kinsman, Ohio 44428

To the Board of Education

We have audited the accompanying general-purpose financial statements of the Joseph Badger Local School District, Trumbull County, as of and for the fiscal year ended June 30, 1999. These general-purpose financial statements are the responsibility of the 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated, December 21, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink that reads "Jim Petro".

JIM PETRO
Auditor of State

December 21, 1999

Joseph Badger Local School District

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Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,519,206	\$60,603	\$40,555	\$52,595
Receivables:				
Taxes	2,325,675	0	0	56,556
Accounts	1,260	16	0	0
Intergovernmental	2,019	0	0	50,045
Accrued Interest	8,593	0	0	0
Interfund Receivable	50,045	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	70,610	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	128,003	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$4,105,411	\$60,619	\$40,555	\$159,196

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$32,635	\$35,198	\$0	\$0	\$1,740,792
0	0	0	0	2,382,231
0	0	0	0	1,276
0	0	0	0	52,064
0	0	0	0	8,593
0	0	0	0	50,045
5,509	0	0	0	5,509
0				
443	0	0	0	71,053
0				
0	0	0	0	128,003
0				
11,275	0	4,624,300	0	4,635,575
	0	0	40,554	40,554
0	0	0	491,024	491,024
<u>\$49,862</u>	<u>\$35,198</u>	<u>\$4,624,300</u>	<u>\$531,578</u>	<u>\$9,606,719</u> (continued)

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities,				
Fund Equity and Other Credits				
<i>Liabilities:</i>				
Accounts Payable	\$31,490	\$2,636	\$0	\$9,180
Accrued Wages	486,483	12,394	0	0
Compensated Absences Payable	12,696	0	0	0
Interfund Payable	0	0	0	50,045
Intergovernmental Payable	115,616	399	0	0
Deferred Revenue	2,313,965	0	0	56,170
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>2,960,250</u>	<u>15,429</u>	<u>0</u>	<u>115,395</u>
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	125,688	17,937	0	22,019
Reserved for Inventory	70,610	0	0	0
Reserved for Budget Stabilization	85,755	0	0	0
Reserved for Property Taxes	11,710	0	0	386
Reserved for Contributions	0	0	0	0
Reserved for Bus Purchase	42,248	0	0	0
Unreserved, Undesignated	809,150	27,253	40,555	21,396
Total Fund Equity and Other Credits	<u>1,145,161</u>	<u>45,190</u>	<u>40,555</u>	<u>43,801</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,105,411</u>	<u>\$60,619</u>	<u>\$40,555</u>	<u>\$159,196</u>

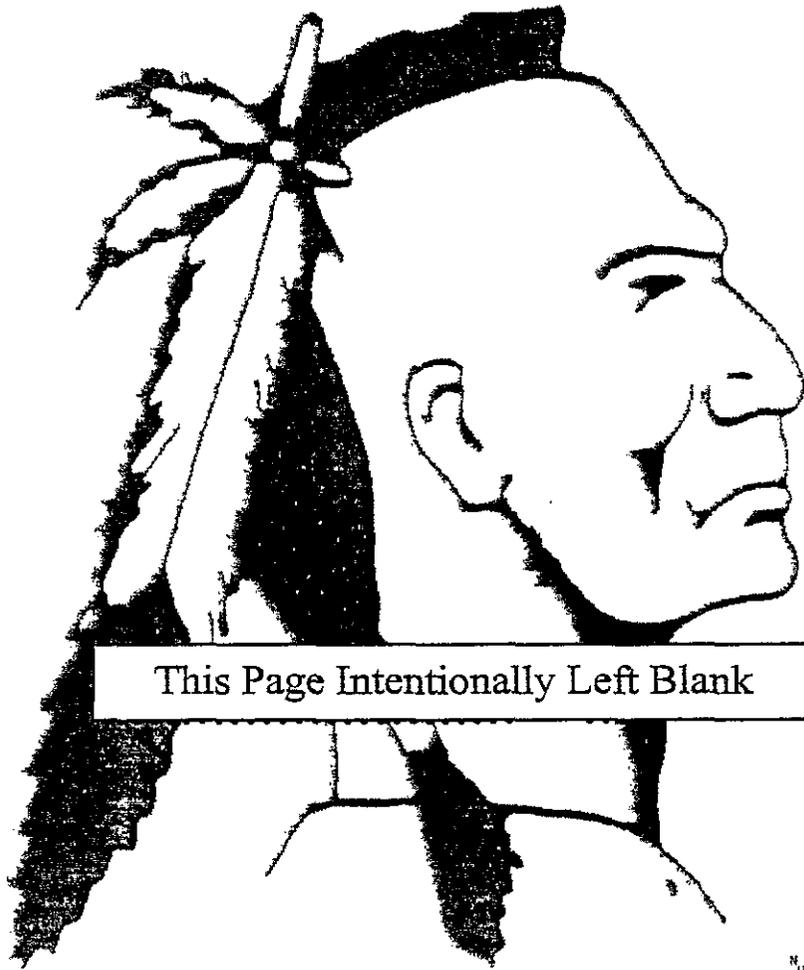
The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$0	\$0	\$0	\$0	\$43,306
17,224	0	0	0	516,101
5,352	0	0	452,597	470,645
0	0	0	0	50,045
12,504	0	0	38,981	167,500
3,037	0	0	0	2,373,172
0	19,463	0	0	19,463
0	0	0	40,000	40,000
<u>38,117</u>	<u>19,463</u>	<u>0</u>	<u>531,578</u>	<u>3,680,232</u>
0	0	4,624,300	0	4,624,300
11,745	0	0	0	11,745
0	0	0	0	165,644
0	0	0	0	70,610
0	0	0	0	85,755
0	0	0	0	12,096
0	15,000	0	0	15,000
0	0	0	0	42,248
0	735	0	0	899,089
<u>11,745</u>	<u>15,735</u>	<u>4,624,300</u>	<u>0</u>	<u>5,926,487</u>
<u>\$49,862</u>	<u>\$35,198</u>	<u>\$4,624,300</u>	<u>\$531,578</u>	<u>\$9,606,719</u>

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Taxes	\$2,241,953	\$0	\$11,352	\$54,277	\$2,307,582
Intergovernmental	3,890,414	220,193	1,291	102,730	4,214,628
Interest	109,593	0	0	0	109,593
Tuition and Fees	22,561	0	0	0	22,561
Extracurricular Activities	0	54,049	0	0	54,049
Contributions and Donations	1,693	6,493	0	0	8,186
Charges for Services	4,144	0	0	0	4,144
Miscellaneous	1,163	16	0	0	1,179
Total Revenues	6,271,521	280,751	12,643	157,007	6,721,922
Expenditures					
Current:					
Instruction:					
Regular	3,083,849	45,320	0	0	3,129,169
Special	480,366	137,356	0	0	617,722
Vocational	38,677	0	0	0	38,677
Adult/Continuing	298	0	0	0	298
Support Services:					
Pupils	189,609	0	0	0	189,609
Instructional Staff	116,663	0	0	0	116,663
Board of Education	93,661	0	0	0	93,661
Administration	658,573	982	0	0	659,555
Fiscal	158,635	12,982	0	0	171,617
Operation and Maintenance of Plant	496,086	0	0	0	496,086
Pupil Transportation	429,756	0	0	0	429,756
Central	32,632	0	0	0	32,632
Operation of Non-Instructional Services					
Services	0	1,028	0	0	1,028
Extracurricular Activities	108,433	68,925	0	0	177,358
Capital Outlay	3,914	0	0	650,771	654,685
Debt Service:					
Principal Retirement	0	0	20,000	0	20,000
Interest and Fiscal Charges	0	0	3,809	0	3,809
Total Expenditures	5,891,152	266,593	23,809	650,771	6,832,325
Excess of Revenues Over (Under) Expenditures	380,369	14,158	(11,166)	(493,763)	(110,403)
Other Financing Sources (Uses)					
Operating Transfers In	0	10,000	38,000	0	48,000
Operating Transfers Out	(48,000)	0	0	0	(48,000)
Total Other Financing Sources (Uses)	(48,000)	10,000	38,000	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	332,369	24,158	26,834	(493,763)	(110,403)
Fund Balances at Beginning of Year	811,886	21,032	13,721	537,564	1,384,203
Increase in Reserve for Inventory	905	0	0	0	905
Fund Balances at End of Year	\$1,145,160	\$45,190	\$40,555	\$43,801	\$1,274,705

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



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*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$2,259,104	\$2,259,104	\$0
Intergovernmental	3,897,399	3,897,399	0
Interest	110,874	110,874	0
Tuition and Fees	22,487	22,487	0
Extracurricular Activities	0	0	0
Contributions and Donations	1,693	1,693	0
Charges for Services	4,144	4,144	0
Miscellaneous	1,368	1,368	0
Total Revenues	6,297,069	6,297,069	0
Expenditures			
Current:			
Instruction:			
Regular	3,197,344	3,197,344	0
Special	493,751	493,751	0
Vocational	59,972	59,972	0
Adult/Continuing	298	298	0
Support Services:			
Pupils	187,788	187,788	0
Instructional Staff	122,497	122,497	0
Board of Education	93,661	93,661	0
Administration	659,769	659,769	0
Fiscal	159,929	159,929	0
Business	0	0	0
Operation and Maintenance of Plant	515,750	515,750	0
Pupil Transportation	481,706	481,706	0
Central	32,131	32,131	0
Operation of Non-Instructional Services			
Extracurricular Activities	108,974	108,974	0
Capital Outlay	3,914	3,914	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	6,117,484	6,117,484	0
Excess of Revenues Over (Under) Expenditures	179,585	179,585	0
Other Financing Sources (Uses):			
Advances In	9,118	9,118	0
Advances Out	(50,045)	(50,045)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(48,000)	(48,000)	0
Total Other Financing Sources (Uses)	(88,927)	(88,927)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	90,658	90,658	0
Fund Balances at Beginning of Year	1,301,755	1,301,755	0
Prior Year Encumbrances Appropriated	78,648	78,648	0
Fund Balances at End of Year	\$1,471,061	\$1,471,061	\$0

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$11,537	\$11,537	\$0
237,631	237,631	0	1,291	1,291	0
0	0	0	0	0	0
0	0	0	0	0	0
54,156	54,156	0	0	0	0
6,493	6,493	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>298,280</u>	<u>298,280</u>	<u>0</u>	<u>12,828</u>	<u>12,828</u>	<u>0</u>
70,792	70,792	0	0	0	0
145,565	145,565	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
982	982	0	0	0	0
13,006	13,006	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
4,772	4,772	0	0	0	0
70,844	70,844	0	0	0	0
0	0	0	0	0	0
0	0	0	20,000	20,000	0
0	0	0	3,809	3,809	0
<u>305,961</u>	<u>305,961</u>	<u>0</u>	<u>23,809</u>	<u>23,809</u>	<u>0</u>
<u>(7,681)</u>	<u>(7,681)</u>	<u>0</u>	<u>(10,981)</u>	<u>(10,981)</u>	<u>0</u>
0	0	0	0	0	0
(9,118)	(9,118)	0	0	0	0
10,000	10,000	0	38,000	38,000	0
0	0	0	0	0	0
<u>882</u>	<u>882</u>	<u>0</u>	<u>38,000</u>	<u>38,000</u>	<u>0</u>
(6,799)	(6,799)	0	27,019	27,019	0
24,085	24,085	0	13,536	13,536	0
9,653	9,653	0	0	0	0
<u>\$26,939</u>	<u>\$26,939</u>	<u>\$0</u>	<u>\$40,555</u>	<u>\$40,555</u>	<u>\$0</u>

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 1999*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$54,845	\$54,845	\$0
Intergovernmental	102,730	102,730	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Charges for Services	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>157,575</u>	<u>157,575</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	99,589	99,589	0
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	9,225	9,225	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	93	93	0
Business	813	813	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	609,934	609,934	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>719,654</u>	<u>719,654</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(562,078)</u>	<u>(562,078)</u>	<u>0</u>
Other Financing Sources (Uses):			
Advances In	50,045	50,045	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>50,045</u>	<u>50,045</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(512,033)</u>	<u>(512,034)</u>	<u>0</u>
Fund Balances at Beginning of Year	151,718	151,718	0
Prior Year Encumbrances Appropriated	390,892	390,892	0
Fund Balances at End of Year	<u>\$30,577</u>	<u>\$30,577</u>	<u>\$0</u>

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,325,486	\$2,325,486	\$0
4,239,051	4,239,051	0
110,874	110,874	0
22,487	22,487	0
54,156	54,156	0
8,186	8,186	0
4,144	4,144	0
1,368	1,368	0
<u>6,765,752</u>	<u>6,765,752</u>	<u>0</u>
3,367,725	3,367,725	0
639,316	639,316	0
59,972	59,972	0
298	298	0
187,788	187,788	0
131,722	131,722	0
93,661	93,661	0
660,751	660,751	0
173,028	173,028	0
813	813	0
515,750	515,750	0
481,706	481,706	0
32,131	32,131	0
4,772	4,772	0
179,818	179,818	0
613,848	613,847	0
20,000	20,000	0
3,809	3,809	0
<u>7,166,908</u>	<u>7,166,908</u>	<u>0</u>
<u>(401,156)</u>	<u>(401,156)</u>	<u>0</u>
59,162	59,162	0
(59,162)	(59,162)	0
48,000	48,000	0
(48,000)	(48,000)	0
<u>0</u>	<u>0</u>	<u>0</u>
(401,156)	(401,156)	0
1,491,093	1,491,093	0
479,193	479,193	0
<u>\$1,569,130</u>	<u>\$1,569,130</u>	<u>\$0</u>

**Combined Statement of Revenues, Expenses
and Changes in Retained Earnings/Fund Balance
Proprietary Fund Type and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999**

	Enterprise	Nonexpendable Trust	Totals (Memorandum Only)
Operating Revenues			
Sales	\$169,446	\$0	\$169,446
Interest	0	735	735
Total Operating Revenues	169,446	735	170,181
Operating Expenses			
Salaries	92,428	0	92,428
Fringe Benefits	66,699	0	66,699
Purchased Services	7,542	0	7,542
Cost of Sales	119,886	0	119,886
Depreciation	4,417	0	4,417
Other Operating Expenses	608	874	1,482
Total Operating Expenses	291,580	874	292,454
Operating Loss	(122,134)	(139)	(122,273)
Non-Operating Revenues			
Interest	686	0	686
Federal Donated Commodities	24,080	0	24,080
Operating Grants	109,074	0	109,074
Total Non-Operating Revenues	133,840	0	133,840
Net Income (Loss)	11,706	(139)	11,567
Retained Earnings/Fund Balance at Beginning of Year (Restated - Note 3)	39	15,874	15,913
Retained Earnings/Fund Balance at End of Year	\$11,745	\$15,735	\$27,480

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

**Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999**

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$169,446	\$169,446	\$0
Interest	686	686	0
Operating Grants	109,074	109,074	0
Total Revenues	279,206	279,206	0
Expenses:			
Salaries	89,498	89,498	0
Fringe Benefits	65,708	65,708	0
Purchased Services	7,542	7,542	0
Materials and Supplies	97,959	97,959	0
Capital Outlay	3,640	3,640	0
Other	608	608	0
Total Expenses	264,955	264,955	0
Excess of Revenues Over (Under) Expenses	14,251	14,251	0
Fund Equity at Beginning of Year	14,736	14,736	0
Prior Year Encumbrances Appropriated	3,640	3,640	0
Fund Equity at End of Year	\$32,627	\$32,627	\$0

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

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$169,446	\$169,446	\$0
806	806	0	1,492	1,492	0
0	0	0	109,074	109,074	0
<u>806</u>	<u>806</u>	<u>0</u>	<u>280,012</u>	<u>280,012</u>	<u>0</u>
0	0	0	89,498	89,498	0
0	0	0	65,708	65,708	0
0	0	0	7,542	7,542	0
0	0	0	97,959	97,959	0
0	0	0	3,640	3,640	0
1,610	1,610	0	2,218	2,218	0
<u>1,610</u>	<u>1,610</u>	<u>0</u>	<u>266,565</u>	<u>266,565</u>	<u>0</u>
(803)	(803)	0	13,448	13,448	0
15,003	15,003	0	29,739	29,739	0
800	800	0	4,440	4,440	0
<u>\$15,000</u>	<u>\$15,000</u>	<u>\$0</u>	<u>\$47,627</u>	<u>\$47,627</u>	<u>\$0</u>

*Combined Statement of Cash Flows
Proprietary Fund Type and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:			
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$169,446	\$0	\$169,446
Cash Payments to Suppliers for Goods and Services	(105,491)	0	(105,491)
Cash Payments to Employees for Services	(89,498)	0	(89,498)
Cash Payments for Employee Benefits	(65,708)	0	(65,708)
Cash Payments for Other Operating Expenses	(608)	(874)	(1,482)
<i>Net Cash Used for Operating Activities</i>	(91,859)	(874)	(92,733)
<i>Cash Flows from Noncapital Financing Activities</i>			
Operating Grants Received	109,074	0	109,074
<i>Cash Flows from Capital and Related Financing Activities</i>			
Payments for Capital Acquisitions	(3,640)	0	(3,640)
<i>Cash Flows from Investing Activities:</i>			
Interest on Investments	686	806	1,492
Net Increase (Decrease) in Cash and Cash Equivalents	14,261	(68)	14,193
Cash and Cash Equivalents at Beginning of Year	18,374	15,803	34,177
<i>Cash and Cash Equivalents at End of Year</i>	\$32,635	\$15,735	\$48,370
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:			
Operating Loss	(\$122,134)	(\$139)	(\$122,273)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:</i>			
Interest	0	(806)	(806)
Depreciation	4,417	0	4,417
Donated Commodities Used During Year	24,080	0	24,080
Changes in Assets and Liabilities:			
Decrease in Accrued Interest Receivable	0	71	71
Decrease in Inventory Held for Resale	1,159	0	1,159
Decrease in Materials and Supplies Inventory	338	0	338
Decrease in Accounts Payable	(3,640)	0	(3,640)
Increase in Accrued Wages	2,085	0	2,085
Increase in Compensated Absences Payable	845	0	845
Increase in Intergovernmental Payable	991	0	991
<i>Total Adjustments</i>	30,275	(735)	29,540
<i>Net Cash Used for Operating Activities</i>	(\$91,859)	(\$874)	(\$92,733)
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet:			
Cash and Cash Equivalents - All Fiduciary Funds		\$35,198	
Cash and Cash Equivalents - Agency Funds		(19,463)	
Cash and Cash Equivalents - Nonexpendable Trust Fund		\$15,735	

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Joseph Badger Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board form of government. Each member is elected to a four-year term. The School District provides educational services as mandated by State and/or federal agencies. The Board of Education controls the School District's four instructional/support facilities staffed by forty classified, seventy-one certificated full-time teaching personnel and six administrators who provide services to 1,104 students and other community members.

A. Reporting Entity

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

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

The School District is associated with six jointly governed organizations, two public entity risk pools and a related organization. These organizations include the Trumbull County Joint Vocational School, the North East Ohio Management Information Network, the North-East Ohio Instructional Media Center, Trumbull Student Assistance Consortium, North East Ohio Special Education Regional Resource Center, the Region 12 Professional Development Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Trumbull County Schools Employee Insurance Benefits Consortium and the Kinsman Public Library. These organizations are presented in Notes 15, 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Type:

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

Enterprise Fund - The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund - (Continued)

revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

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

C. Budgetary Data

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

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

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

Estimated Resources: (Continued)

the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. Prior to year-end, the School District passed appropriations that reflect actual expenditures for the fiscal year plus year-end encumbrances.

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

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

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to STAR Ohio, reported at fair value.

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.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$109,593, which includes \$12,995 assigned from other School District funds.

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

E. Inventory

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

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District has no infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the fund fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life that ranges from five to twenty years.

G. Intergovernmental Revenues

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues (Continued)

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Special Revenue Fund

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Education Management Information Systems
Textbook Fund
Title I
Title VI
Title VI-B

Capital Projects Funds

School Net
School Net Plus
Technology Equity
Ohio School Facilities Grant

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately sixty-three percent of the School District's operating revenues in governmental funds during the 1999 fiscal year.

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences (Continued)

accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. For governmental funds the School District records a liability for accumulated unused sick leave for classified employees, certified employees and administrators after ten years of service.

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

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Interfund Assets and Liabilities

Receivable and payables resulting from transactions between funds for services provided or goods received are classified as "due to other funds" or "due from other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivable" and "interfund payables."

K. Interfund Transactions

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

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpected revenues restricted for the purchase of buses and amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by the statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

N. Total Columns on General Purpose Financial Statements

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

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

The food service enterprise fund balance decreased from \$6,098 to \$39 due to an understatement of fixed assets at June 30, 1998.

The general long-term obligations account group total liabilities increased from \$529,807 to \$606,286 due to an understatement of compensated absences payable at June 30, 1998.

NOTE 4 - FUND DEFICITS

At June 30, 1999 the Title I special revenue fund had a deficit fund balance of \$10,363, which resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in this fund and provides operating when cash is required not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Proprietary Fund Type and Similar Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$332,370	\$24,158	\$26,834	(\$493,763)
Revenue Accruals	25,549	17,529	185	568
Advance In	9,118	0	0	50,045
Expenditure Accruals	(50,185)	(5,704)	0	(46,866)
Advances Out	(50,045)	(9,118)	0	0
Encumbrances	<u>(176,147)</u>	<u>(33,664)</u>	<u>0</u>	<u>(22,018)</u>
Budget Basis	<u>\$90,659</u>	<u>(\$6,799)</u>	<u>\$27,019</u>	<u>(\$512,034)</u>

**Net Income (Loss)/Excess of Revenues Over (Under) Expenses
Proprietary Fund Type and Similar Trust Fund**

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
GAAP Basis	\$11,706	(\$139)
Revenue Accrual	0	71
Expense Accrual	1,776	0
Capital Outlay	(3,640)	0
Depreciation Expense	4,417	0
Encumbrances	<u>(8)</u>	<u>(735)</u>
Budget Basis	<u>\$14,251</u>	<u>(\$803)</u>

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. 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 other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 6 - DEPOSITS 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 School District, and must be purchased with the expectation that it will be held to maturity.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$58,823 and the bank balance was \$72,729. All of the bank balance was covered by federal depository insurance. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	Fair Value
STAR Ohio	<u>\$1,809,972</u>

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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 cash equivalents 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/Deposits	Investments
GASB Statement 9	1,868,795	\$0
Investments which are part of a cash management pool:		
STAR Ohio	(\$1,809,972)	1,809,972
GASB Statement 3	\$58,823	\$1,809,972

NOTE 7 - PROPERTY TAXES

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

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

1999 real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 7 - PROPERTY TAXES (Continued)

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

	1998 Second- Half Collections		1999 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$57,647,320	82.80%	\$58,612,760	83.59%
Public Utility	6,681,770	9.60	6,496,850	9.27
Tangible Personal Property	<u>5,292,262</u>	<u>7.60</u>	<u>5,006,891</u>	<u>7.14</u>
Total Assessed Value	<u>\$69,621,352</u>	<u>100.00%</u>	<u>\$70,116,501</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.07		\$41.58	

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Joseph Badger Local School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$11,710 to the General Fund and \$386 to the Permanent Improvement Capital Projects Fund.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund – State and Local Governments	\$2,019
Ohio School Facilities Grant Capital Projects Fund	50,045
Total Intergovernmental Receivables	\$52,064

NOTE 9 - FIXED ASSETS

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

Furniture and Equipment	\$121,232
Less Accumulated Depreciation	(109,957)
Net Fixed Assets	\$11,275

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

Category	Balance 6/30/98	Additions	Deletions	Balance 6/30/99
Land	\$119,500	\$0	\$0	\$119,500
Buildings	1,884,226	202,302	111,872	1,974,656
Vehicles	808,940	0	87,690	721,250
Furniture and Equipment	1,905,270	119,778	216,154	1,808,894
Total General Fixed Assets	\$4,717,936	\$322,080	\$415,716	\$4,624,300

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1000 deductible)	\$15,196,400
Inland Marine Coverage	
Musical (\$100 deductible)	101,977
Video (\$100 deductible)	160,775
EDP (\$100 deductible)	17,500
Boiler and Machinery (\$1,000 deductible)	7,084,200
Crime Insurance (no deductible)	1,000
Automobile Liability (no deductible)	2,000,000
Uninsured Motorists (no deductible)	2,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 10 - RISK MANAGEMENT (Continued)

C. Employee Medical Benefits (Continued)

pays medical/surgical premiums of \$528.74 for family coverage and \$203.27 for single coverage per employee per month.

Dental and prescription drug insurance are also provided through the Trumbull County Schools Employee Insurance Benefits Consortium. Premiums for dental coverage are \$54.94 for family coverage and \$15.50 for single coverage per month. Monthly premiums for prescription drug insurance are \$108.64 for family coverage and \$51.25 for single coverage. The plan utilizes a \$2 prescription deductible.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan member and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus Ohio 43215-3634.

Plan member are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. Their current rate is 14 percent of annual covered payroll. A portion of the School District contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amount by the SERS Retirement Board. The School District's contributions for pension obligation to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$46,598, \$88,239, and \$96,401 respectively; 53.0 percent has been contributed for fiscal 1999 and 100% for the fiscal year 1998 and 1997. \$21,926 represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and in the general long-term obligations account group.

B. State Teachers Retirement System

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for member and 14 percent for employers. The School District's contributions STRS for the fiscal ended June 30, 1999, 1998 and 1997 were \$180,295, \$421,676, and \$401,908 respectively; 82.6 percent has been contributed for fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$31,429 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated 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 health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$240,393 during fiscal year 1999.

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

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$52,357.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of an unlimited number of days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 80 days.

The liability is calculated as follows: Certified, Classified and Administrative personnel's sick leave balance is multiplied by one quarter and the resulting amount is multiplied by the daily rate (there is a maximum of 80 days).

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Trumbull County Schools Employee Insurance Benefits Consortium at a cost of \$.125 per month per \$1,000 in coverage. The coverages are provided as follows:

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 13 – OTHER EMPLOYEE BENEFITS (Continued)

A. Compensated Absences (Continued)

Class	Class Description	Amount of Coverage
I	Full Time Certified	\$50,000
II	Full Time Classified	\$25,000
III	Part Time Certified	\$25,000
IV	Treasurer	\$50,000
V	Half Day Classified	\$12,500
VI	Classified Cafeteria Aide	\$12,500
VII	Half Day Custodial	\$12,500
VIII	Building Secretaries	\$25,000
IX	Administrators	\$50,000

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<u>Principal Outstanding 6/30/97</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/99</u>
High School Renovation Bond 1970 7.75%	\$60,000	\$0	\$20,000	\$40,000
Compensated Absences	513,998	61,401	0	452,597
Pension Obligation	32,288	38,981	32,288	38,981
Total General Long-Term Obligations	<u>\$606,286</u>	<u>\$100,382</u>	<u>\$52,288</u>	<u>\$531,578</u>

The high school renovation bond will be paid from the Bond Retirement Fund and compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted overall legal debt margin was \$6,311,039 with an unvoted debt margin of \$70,117 at June 30, 1999.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	20,000	2,175	22,175
2001	20,000	725	20,725
Total	\$40,000	\$2,900	\$43,900

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Trumbull County Joint Vocational School - The Trumbull County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. Each school district's control is limited to its representation on the board. During fiscal year 1999, no monies were received from the School District. To obtain financial information write to the Trumbull County Joint Vocational School, Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Management Information Network (NEOMIN) - NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Joseph Badger Local School District contributed \$14,532 to NEOMIN during fiscal year 1999.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Joseph Badger Local School District was represented on the Governing Board during fiscal year 1999. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

North-East Ohio Instructional Media Center (NEOIMC) - NEOIMC is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing a quality films and/or other media to support the educational curricula of the School District. Each member pays a monthly premium based on use of the media materials.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 1999, Joseph Badger Local School District contributed \$1,683, which represents 2.71 percent of total contributions. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Trumbull Student Assistance Consortium (TSAC) - The Trumbull Student Assistance Consortium (TSAC) is a jointly governed organization among sixteen school districts. The jointly governed organization was formed for the purpose of aiding each participating district in establishing an effective comprehensive alcohol, tobacco and other drugs prevention/intervention program that will help make schools drug free.

TSAC is governed by an executive management council made up five superintendents of the participating districts whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

North East Ohio Special Education Regional Resource Center (NEO/SERRC) - NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street., Youngstown, Ohio, 44507.

Region 12 Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a governing board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University, whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 16 – PUBLIC ENTITY RISK POOLS

A. Insurance Purchasing Pool

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

B. Shared Risk Pool

Trumbull County Schools Employee Insurance Benefits Consortium - The School District participates in the Trumbull County Schools Employee Benefits Consortium. It is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenue are generated from charges for services

NOTE 17 - RELATED ORGANIZATION

Kinsman Public Library - The Kinsman Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Joseph Badger Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Kinsman Public Library, Martha L. Huscroft, Clerk/Treasurer, at 6420 Church Street, Kinsman, Ohio 44428.

NOTE 18 – 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 to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. For the fiscal year ended June 30, 1999, the School District received \$3,573,302 of school foundation support for its general fund, and \$3,584,902 in total support.

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 18 – STATE SCHOOL FUNDING DECISION (Continued)

Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

NOTE 20 – INTERFUND RECEIVABLE/PAYABLE

At June 30, 1999, the general fund had an interfund receivable of \$50,045 and the Ohio School Facilities Grant capital projects fund had an interfund payable for the same amount.

NOTE 21 – SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)**

NOTE 21 – SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	Textbook	Capital Maintenance	Budget Stabilization	Totals
Set-aside balance carried forward June 1, 1998	\$ 0	\$ 0	\$33,356	
Current year set-aside requirement	93,443	93,443	46,722	
Offsets	(17,766)	(54,845)	0	
Qualifying expenditures	(76,644)	(62,050)	0	
Total	(967)	(23,492)	80,078	
Cash balance carried forward to FY 2000	\$ 0	\$ 0	\$80,078	\$80,078
Amount restricted for bus purchases				<u>42,248</u>
Total Restricted Assets				<u>\$122,326</u>

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

NOTE 22 – YEAR 2000 ISSUES

The Year 2000 issue is the result of shortcoming in many electronic data processing systems and other electronic equipment that may adversely affect the government's operation as early as fiscal 1999.

The Joseph Badger Local Schools has completed an inventory of computer systems and other electronic equipment necessary to conducting District operations and has identified such systems as being accounting and financial reporting, payroll and employee benefits, and educational statistic reporting through the State's Educational Management and Information System (EMIS). The District utilizes Mahoning National Bank for checking services for holding district monies and paying District Debts. The District has well services for water and septic tanks for sewage and does not utilize electrical and natural gas services.

The District uses the Robert Snyder School Accounting System for its accounting and financial reporting and Robert Snyder Staff payroll System software for its payroll and employee benefits. The Robert Snyder Software company is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the state processes a significant Education Management and Information Systems (EMIS). The State is responsible for remediating these systems.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 22 – YEAR 2000 ISSUES (Continued)

Trumbull County handles tax collection for the District. The County is responsible for remediating this system, and is solely responsible for any costs associated with this project

Mahoning National Bank supplies necessary financial services to the School District. Mahoning National Bank is solely responsible for remediating this system and is responsible for any cost associated with this project.

The Ohio Edison Company provides electricity to the School District. Ohio Edison Company is solely responsible for remediating this system and is responsible for any cost associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter.

Management cannot assure that the Joseph Badger Local School District is or will be Year 2000 ready, and that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the Joseph Badger Local School District does business with will be Year 2000 ready.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Joseph Badger Local School District
Trumbull County
7000 Chagrin - Greenville Rd
Kinsman, Ohio 44428

To The Board of Education:

We have audited the accompanying general-purpose financial statements of the Joseph Badger Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 21, 1999. We conducted our audit in accordance with *generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 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 the School District's internal control over general-purpose 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 matter 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 of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 21, 1999.*

Joseph Badger Local School District
Trumbull County
Report on Compliance and on Internal Control Required
by *Government Auditing Standards*
Page -2-

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



JIM PETRO
Auditor of State

December 21, 1999



STATE OF OHIO
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JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JAN 11 2000