

**POLAND LOCAL SCHOOL DISTRICT**  
**YOUNGSTOWN REGION, MAHONING COUNTY**  
**REGULAR AUDIT**  
**JULY 1, 1998 THROUGH JUNE 30, 1999**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Poland Local School District  
Mahoning County  
30 Riverside Drive  
Poland, Ohio 44514

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Poland Local School District, Mahoning County, (the Government) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Government'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 Poland Local School District, Mahoning County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2000 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, appearing to read "Jim Petro", written over a large, stylized "X" mark.

Jim Petro  
Auditor of State

January 13, 2000

Poland Local School District

**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1989**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)	
	General	Debt Service				General Fixed Assets	Trust and Agency	General Long-Term Obligations		
		Special Revenue	Capital Projects					Enterprise		
<b>ASSETS AND OTHER DEBITS</b>										
<b>Assets:</b>										
Equity in Pooled Cash and Cash Equivalents	\$1,945,821	\$198,982	\$239,464	\$66,646	\$52,669				\$2,740,662	
Equity in Pooled Cash and Cash Equivalents - Nonexpendable Trust Fund					12,383				12,383	
Receivables (Net of Allowances of Uncollectibles):										
Property Taxes - Current & Delinquent Accounts	7,257,261		82,428						8,301,389	
Accrued Interest	1,174	1,766		4,484					7,424	
Due from Other Governments									131	
Materials and Supplies Inventory				2,744					2,744	
Restricted Assets:				13,798					13,798	
Equity in Pooled Cash and Cash Equivalents	191,491								191,491	
Property, Plant and Equipment (Net of Accumulated Depreciation Where Applicable)				110,592			\$12,510,024		12,620,616	
<b>Other Debits:</b>										
Amount Available in Debt Service Fund								\$177,080	177,080	
Amount to be Provided for Retirement of General Long-Term Obligations								7,323,325	7,323,325	
<b>Total Assets and Other Debits</b>	<b>\$9,395,878</b>	<b>\$200,748</b>	<b>\$381,892</b>	<b>\$198,264</b>	<b>\$65,052</b>		<b>\$12,510,024</b>	<b>\$7,500,405</b>	<b>\$31,951,043</b>	

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

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency		General	Long-Term Obligations
										Fixed Assets	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>Liabilities:</b>											
Accounts Payable	\$27,846	\$17,468		\$3,611	\$18,594				\$67,517		
Accrued Wages and Benefits	1,545,304	54,382		35,789	35,789				1,635,475		
Compensated Absences Payable	24,592			36,064	36,064			\$969,337	1,029,993		
Pension Obligation Payable	180,566	6,472		33,138	33,138			87,573	307,749		
Deferred Revenue	7,257,261		\$961,700	82,428	11,162				8,312,551		
Due to Other Governments	499	1,381			42				1,932		
Due to Students						\$52,669			52,669		
General Obligation Bonds Payable							5,824,996		5,824,996		
General Obligation Notes Payable							452,854		452,854		
Energy Conservation Notes Payable				927,014	927,014				927,014		
Tax Anticipation Note Payable				368,000	368,000				368,000		
Obligation Under Capital Lease							165,645		165,645		
<b>Total Liabilities</b>	<b>9,036,068</b>	<b>79,711</b>	<b>961,700</b>	<b>1,381,053</b>	<b>134,789</b>	<b>52,669</b>	<b>7,500,405</b>	<b>7,500,405</b>	<b>19,146,395</b>		
<b>Equity and Other Credits:</b>											
Investment in General Fixed Assets							\$12,510,024		12,510,024		
Retained Earnings: Unreserved					63,475				63,475		
<b>Fund Balances:</b>											
Reserved for Encumbrances	92,485	69,851		220,767					383,103		
Reserved for Debt Service			177,080						177,080		
Reserved for Principal Endowment						12,383			12,383		
Reserved for Budget Stabilization	191,461								191,461		
Unreserved-Undesignated	75,864	51,186		(1,219,928)					(1,092,878)		
<b>Total Equity and Other Credits</b>	<b>359,810</b>	<b>121,037</b>	<b>177,080</b>	<b>(999,161)</b>	<b>63,475</b>	<b>12,383</b>	<b>12,510,024</b>	<b>12,510,024</b>	<b>12,244,648</b>		
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$9,395,878</b>	<b>\$200,748</b>	<b>\$1,138,780</b>	<b>\$381,892</b>	<b>\$198,264</b>	<b>\$65,052</b>	<b>\$12,510,024</b>	<b>\$7,500,405</b>	<b>\$31,391,043</b>		

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

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

	<u>Governmental Fund Types</u>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<b>Revenues:</b>					
From Local Sources:					
Taxes	\$6,633,950		\$664,232	\$340,673	\$7,638,855
Tuition	3,347				3,347
Earnings on Investments	217,435	\$1,883			219,318
Other Local Revenues	250,031	235,660			485,691
Intergovernmental - State	5,848,910	339,732	52,318	224,301	6,465,261
Intergovernmental - Federal		218,079			218,079
<b>Total Revenue</b>	<b>12,953,673</b>	<b>795,354</b>	<b>716,550</b>	<b>564,974</b>	<b>15,030,551</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	6,923,397	53,097			6,976,494
Special	459,789	75,091			534,880
Vocational	275,012				275,012
Other	64,678				64,678
Support Services:					
Pupil	815,373	26,115			841,488
Instructional staff	233,164	17,686		183,647	434,497
Board of Education	17,851				17,851
Administration	1,009,865	78,652	6,655	2,777	1,097,949
Fiscal	380,263				380,263
Business	3,605				3,605
Operations and Maintenance	1,283,268				1,283,268
Pupil Transportation	758,363				758,363
Central		3			3
Community Services		22,738			22,738
Extracurricular Activities	272,674	206,053			478,727
Facilities Services				3,911,801	3,911,801
Capital Outlay	189,440				189,440
Intergovernmental Pass Through		305,571			305,571
Debt Service:					
Principal Retirement	59,768		328,849		388,617
Interest and Fiscal Charges	14,464		326,891	73,983	415,338
<b>Total expenditures</b>	<b>12,760,974</b>	<b>785,006</b>	<b>662,395</b>	<b>4,172,208</b>	<b>18,380,583</b>
<b>Excess (deficiency) of revenues over (under) Expenditures</b>	<b>192,699</b>	<b>10,348</b>	<b>54,155</b>	<b>(3,607,234)</b>	<b>(3,350,032)</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In				115,018	115,018
Operating Transfers Out	(154,961)				(154,961)
Proceeds of Capital Lease Transaction	189,440				189,440
<b>Total Other Financing Sources</b>	<b>34,479</b>			<b>115,018</b>	<b>149,497</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</b>	<b>227,178</b>	<b>10,348</b>	<b>54,155</b>	<b>(3,492,216)</b>	<b>(3,200,535)</b>
Fund Balances, July 1	132,632	110,689	122,925	2,493,055	2,859,301
<b>Fund Balances (Deficit), June 30</b>	<b>\$359,810</b>	<b>\$121,037</b>	<b>\$177,080</b>	<b>(\$999,161)</b>	<b>(\$341,234)</b>

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1996

	General			Special Revenue			Direct Services			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes	\$6,572,181	\$6,633,950	\$61,769												
Tuition	3,310	3,347	37												
Earnings on Investments	215,718	217,304	1,586	\$0											
Other Local Revenues	128,524	129,728	1,204	234,316	234,114	(202)									
Intergovernmental - State	5,786,248	5,849,710	63,462	339,732	339,732	0	53,318	52,318	(1,000)						
Intergovernmental - Federal				218,079	218,079	0									
Total Revenues	12,714,975	12,854,039	139,064	794,210	793,806	(404)	991,694	991,594	(100)	289,931	289,931	0	14,790,711	14,909,372	118,661
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular	6,842,852	6,842,852	0	54,198	54,198	0									
Special	448,111	448,111	0	85,782	85,782	0									
Vocational	268,804	268,804	0												
Other	103,463	103,463	0												
Support Services:															
Pupil	791,516	791,516	0	35,448	35,448	0									
Instructional Staff	281,737	281,737	0	18,822	18,822	1,102									
Board of Education	17,262	17,262	0												
Administration	1,023,127	1,023,127	0	93,944	93,944	0	6,655	6,655	0	2,777	2,777	0	1,126,509	1,126,509	0
Facilities	374,136	374,136	0												
Business	3,605	3,605	0												
Operations and Maintenance	1,391,821	1,391,821	0	33,785	33,785	0									
Pupil Transportation	760,803	760,803	0	269,324	214,455	54,869									
Community Services	268,805	268,805	0	329,543	297,568	31,975									
Extracurricular Activities															
Facilities Acquisition & Construction															
Intergovernmental Pass Through															
Debt Service:															
Principal Retirement															
Interest and Fiscal Charges															
Total Expenditures	12,513,342	12,513,342	0	921,936	839,980	87,956	937,438	937,438	0	4,402,162	4,398,087	4,105	18,774,876	18,640,517	(134,361)
Excess (Deficiency) of Revenues over (under) Expenditures	201,634	320,697	119,063	(127,726)	(48,172)	87,554	54,156	54,156	0	(4,112,231)	(4,095,128)	46,105	(3,984,167)	(3,731,445)	252,722
<b>Other Financing Sources (Uses):</b>															
Refund of Prior Year's Expenditures	118,181	119,287	1,106												
Operating Transfers In															
Operating Transfers Out	(157,761)	(157,761)	0												
Total Other Financing Sources (Uses)	(39,580)	(38,474)	1,106												
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	162,054	282,223	120,170	(127,726)	(48,172)	87,554	54,156	54,156	0	(3,998,969)	(3,951,108)	47,861	(3,910,505)	(3,654,891)	255,614
Fund Balances, July 1	1,897,002	1,897,002	0	81,347	61,347	20,000	122,925	122,925	0	3,867,462	3,867,462	0	5,748,736	5,748,736	0
Prior Year Encumbrances Appropriated	56,623	56,623	0	91,462	91,462	0				162,343	162,343	0	310,411	310,411	0
Fund Balances, June 30	\$1,915,879	\$2,005,959	\$90,080	\$129,220	\$112,220	\$17,000	\$177,081	\$177,081	\$0	\$30,815	\$78,987	\$48,172	\$2,148,942	\$2,074,298	\$74,644

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

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Revenues:</b>			
Tuition and Fees	\$99,952		\$99,952
Sales/Charges for Services	485,906		485,906
Investment Earnings		\$609	609
<b>Total Operating Revenues</b>	<b>585,858</b>	<b>609</b>	<b>586,467</b>
<b>Operating Expenses:</b>			
Personal Services	299,930		299,930
Contract Services	321,846		321,846
Materials and Supplies	36,390		36,390
Depreciation	12,283		12,283
Other	161		161
<b>Total Operating Expenses</b>	<b>670,610</b>		<b>670,610</b>
Operating Income (Loss)	(84,752)	609	(84,143)
<b>Nonoperating Revenues:</b>			
Operating Grants	47,880		47,880
Federal Commodities	32,783		32,783
Interest Revenue	435		435
<b>Total Nonoperating Revenues</b>	<b>81,098</b>		<b>81,098</b>
Net Income (Loss) Before Operating Transfers	(3,654)	609	(3,045)
Operating Transfers In	39,943		39,943
Net Income	36,289	609	36,898
Retained Earnings/Fund Balance, July 1	27,186	11,774	38,960
<b>Retained Earnings/Fund Balance, June 30</b>	<b>\$63,475</b>	<b>\$12,383</b>	<b>\$75,858</b>

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



**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Tuition and Fees	\$99,952		\$99,952
Cash Received from Sales/Service Charges	481,422		481,422
Cash Payments for Personal Services	(322,391)		(322,391)
Cash Payments for Contract Services	(301,348)		(301,348)
Cash Payments Supplies and Materials	(6,219)		(6,219)
Cash Payments for Other Expenses	(161)		(161)
<b>Net Cash Used in Operating Activities</b>	<b>(48,745)</b>		<b>(48,745)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash Received from Operating Grants	45,136		45,136
Cash Received from Interfund Loans	39,943		39,943
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>85,079</b>		<b>85,079</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(2,495)		(2,495)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(2,495)</b>		<b>(2,495)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest Received	435	\$609	1,044
<b>Net Cash Provided by Investing Activities</b>	<b>435</b>	<b>609</b>	<b>1,044</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>34,274</b>	<b>609</b>	<b>34,883</b>
Cash and Cash Equivalents at Beginning of Year	32,372	11,774	44,146
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$66,646</b>	<b>\$12,383</b>	<b>\$79,029</b>
<b>Reconciliation of Operating (Income Loss) to Net Cash Used in Operating Activities:</b>			
Operating Income (Loss)	(\$84,752)	\$609	(\$84,143)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:</b>			
Depreciation	12,283		12,283
Federal Donated Commodities	32,783		32,783
Interest Reported as Operating Income		(609)	(609)
<b>Changes in Assets and Liabilities:</b>			
Increase in Supplies Inventory	(4,369)		(4,369)
Increase in Accounts Receivable	(4,484)		(4,484)
Increase in Accounts Payable	18,276		18,276
Increase in Accrued Wages & Benefits	3,359		3,359
Decrease in Compensated Absences Payable	(1,577)		(1,577)
Decrease in Due to Other Governments	(31)		(31)
Decrease in Pension Obligation Payable	(24,243)		(24,243)
Increase in Deferred Revenue	4,010		4,010
<b>Net Cash Used in Operating Activities</b>	<b>(\$48,745)</b>	<b>\$0</b>	<b>(\$48,745)</b>

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

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Poland Local School District ("District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a School District to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms by the citizens of the District.

The District serves an area of approximately 25 square miles in Mahoning County, including all of the village of Poland and portions of surrounding townships.

The District is the 211<sup>th</sup> largest in the State of Ohio (among 611 Districts) in terms of enrollment. It currently operates three elementary schools, one middle school, and one comprehensive high school. The District is staffed by 138 non-certificated and 83 certificated personnel to provide services to approximately 2,461 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. JOINTLY GOVERNED ORGANIZATIONS**

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a joint venture among 22 school districts and 2 county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution. ACCESS is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in ACCESS as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507-1693.

Mahoning County Joint Vocational School

The Mahoning County Joint Vocational School is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 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 District. To obtain financial information write to the Treasurer at the Mahoning County Joint Vocational School, 7300 North Palmyra Road, Canfield, Ohio 44406.

**2. PUBLIC ENTITY RISK POOL**

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The consortium is governed by an assembly which consists of one representative from each participating School Districts (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**1. GOVERNMENTAL FUNDS**

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

**General Fund** - The general fund is the general operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures 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 debt principal, interest, and related costs.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

**Enterprise Funds** - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**3. FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a nonexpendable trust fund and an agency fund. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of the agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

**4. 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 general nature, the following account groups are used.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**General Long-Term Obligations Account Group** - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

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

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

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**

**JUNE 30, 1999**

**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.
5. 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.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 13 discloses encumbrances outstanding for the enterprise funds at fiscal year end.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.



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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During fiscal 1999, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices.

Investments in nonparticipating investment contracts, like repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

The Mahoning National Bank Investment (SWEEP) Account is a bank account utilized (by the bank) to account for public monies "swept-into" (transferred) from the General Operating Bank Account and subsequently invested into Repurchase Agreements.

Under existing Ohio statute all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned By Other Funds</u>
General Fund	\$217,435	\$94,039	\$123,396
Nonexpendable Trust Fund	\$ 609	\$ 584	\$ 25

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**C. Fixed Assets and Depreciation**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

**2. Proprietary Funds**

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5 - 20

**H. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue 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 revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entitlements

General Fund

State Foundation Program  
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems  
Federal School-to-work  
Title I  
Drug Free Schools  
Auxiliary Services  
Teacher Development  
Textbook Subsidy  
Title VI-B  
Title VI

Capital Projects Funds

SchoolNet  
Permanent Improvements

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 43% of the District's operating revenue during the 1999 fiscal year.

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**J. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal interest. GAAP requires the allocation of the debt liability among the general and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, budget stabilization and principal endowment. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Transactions**

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 1999.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 1999.

See Note 5 for an analysis of interfund transactions.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 18 for detail of statutory reserves.

**N. Estimates**

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**O. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (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 changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balance at June 30, 1999 include the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$ (30)
<u>Capital Project Fund</u>	
Permanent Improvement	(1,057,786)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balance in the Title I special revenue fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. This deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit fund balance in the Permanent Improvement capital projects fund is caused by recording the energy conservation notes and the tax anticipation notes as a fund liability of the fund which received the proceeds. This deficit balance will be eliminated by future revenues and other subsidies not recognized and recorded at June 30.

**B. Agency Fund**

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts receivable	\$159
<u>LIABILITIES</u>	
Accounts payable	\$6,383

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct 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;

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

**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At year-end the carrying amount of the District's deposits was \$(18,539), which included a \$75 Board of Education Petty Cash Change Fund, and the bank balance was \$74,165. The District did not record a liability due to the "zero balance" nature of the account. The entire bank balance was covered by federal depository insurance.

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



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

**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreements	<u>\$197,409</u>	\$ 197,409	\$ 197,409
Not subject to categorization:			
Investment in STAR Ohio		<u>2,765,666</u>	<u>2,765,666</u>
Total investments		<u>\$2,963,075</u>	<u>\$2,963,075</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable 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 balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,944,536	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	(2,765,666)	2,765,666
Repurchase Agreement	<u>(197,409)</u>	<u>197,409</u>
GASB Statement No. 3	<u>\$ (18,539)</u>	<u>\$ 2,963,075</u>

**5. INTERFUND TRANSACTIONS**

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$154,961
<u>Capital Projects Funds</u>		
Permanent Improvement	115,018	---
<u>Enterprise Funds</u>		
Food Service	<u>39,943</u>	<u>---</u>
Total	<u>\$154,961</u>	<u>\$154,961</u>

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

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was \$264,718,580. Agricultural/Residential and public utility/minerals real estate represented 76.0% or \$201,260,050 of this total; Commercial & Industrial real estate represented 14.3% or \$37,873,290 of this total, public utility tangible represented 4.8% or \$12,667,020 of this total and general tangible property represented 4.9% or \$12,918,220 of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$38.25 per \$1,000.00 of assessed valuation for operations, \$1.00 per \$1,000.00 of assessed valuation for permanent improvements and \$1.80 per \$1,000.00 of assessed valuation for bond retirement.

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.

The District receives property taxes from Mahoning County. The County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no property tax advances available to the District at June 30, 1999.

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

**7. RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements (to the extent they are intended to finance the current fiscal year). Intergovernmental receivables have been recorded as "due from other governments" on the combined balance sheet. 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 receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$7,257,261
Accounts	1,174
 <u>Special Revenue Funds</u>	
Accounts	1,766
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	961,700
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	82,428
 <u>Enterprise Funds</u>	
Accounts	4,484
Due from other governments	2,744

**8. FIXED ASSETS**

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

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Land/ improvements	\$ 709,852	\$ ---	\$ ---	\$ 709,852
Buildings/ improvements	7,550,328	---	---	7,550,328
Furniture/ equipment	2,855,016	455,201	(125,874)	3,184,343
Vehicles	1,065,501	---	---	1,065,501
<b>Total</b>	<b><u>\$12,180,697</u></b>	<b><u>\$ 455,201</u></b>	<b><u>\$(125,874)</u></b>	<b><u>\$12,510,024</u></b>

There was no significant construction in progress at June 30, 1999.

A summary of the proprietary fixed assets at June 30, 1999 follows:

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

**8. FIXED ASSETS (Continued)**

Furniture and equipment	\$ 341,910
Less: accumulated depreciation	<u>(231,318)</u>
Net fixed assets	<u>\$ 110,592</u>

**9. CAPITALIZED LEASES - LESSEE DISCLOSURE**

In a prior year, the District entered into a capital lease for the acquisition of a copier. During fiscal 1999, the District entered into a capital lease for computers. The terms of the lease agreements provide options to purchase the equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the Combined Financial Statements for the governmental funds. These expenditures are reflected as Statements for the general funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 1999 fiscal year totaled \$59,768. This amount is reflected as debt service principle retirement in the general fund.

The following is an analysis of equipment under capital lease as of June 30, 1999:

	<u>General Fixed Assets</u>
Copier	\$ 99,500
Computers	<u>189,440</u>
Total	<u>\$288,940</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 1999:

<u>Fiscal Year</u>	<u>General Long-Term Obligations</u>	<u>Amount</u>
2000		\$ 64,686
2001		73,246
2002		37,433
2003		<u>6,509</u>
Total minimum lease payments		181,874
Less: amount representing interest		<u>(16,229)</u>
Present value of future minimum lease payments		<u>\$165,645</u>

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

**10. LONG-TERM OBLIGATIONS**

All current obligation bonds and notes outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 5.60 mill bonded debt tax levy.

A. The following is a description of the District's long-term debt obligations outstanding as of June 30, 1999:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 1998</u>	<u>Retired In 1999</u>	<u>Outstanding June 30, 1999</u>
Energy Conservation Note	4.54%	04/22/96	10/01/00	\$ 479,350	\$(190,364)	\$ 288,986
Energy Conservation Note	5.30%	04/22/96	04/01/04	192,353	(28,485)	163,868
Capital Improvement Bond II	5.30%	11/12/97	12/01/22	3,499,998	(45,000)	3,454,998
Capital Improvement Bond	5.8782%	09/13/95	12/01/16	<u>2,434,998</u>	<u>(65,000)</u>	<u>2,369,998</u>
				<u>\$6,606,699</u>	<u>\$(328,849)</u>	<u>\$6,277,850</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation debt:

<u>Fiscal Year Ending</u>	<u>Principal on General Obligation Debt</u>	<u>Interest on General Obligation Debt</u>	<u>Total</u>
2000	\$ 364,116	\$ 311,493	\$ 675,609
2001	251,988	296,139	548,127
2002	151,438	288,556	439,994
2003	175,250	283,029	458,279
2004	160,109	277,123	437,232
2005 - 2009	1,089,952	1,275,649	2,365,601
2010 - 2014	1,289,997	971,652	2,261,649
2015 - 2019	1,720,000	489,620	2,209,620
2020 - 2023	<u>1,075,000</u>	<u>72,888</u>	<u>1,147,888</u>
Total	<u>\$6,277,850</u>	<u>\$4,266,149</u>	<u>\$10,543,999</u>

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

**10. LONG-TERM OBLIGATIONS - (Continued)**

C. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid. The capital lease obligation is paid from the general fund.

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
General obligation notes payable	\$ 671,703	\$ ---	\$(218,849)	\$ 452,854
General obligation bond payable	5,934,996	---	(110,000)	5,824,996
Compensated absences	862,285	155,229	(48,177)	969,337
Pension obligation payable	78,778	87,573	(78,778)	87,573
Capital leases obligation	<u>35,973</u>	<u>189,440</u>	<u>(59,768)</u>	<u>165,645</u>
Total	<u>\$7,583,735</u>	<u>\$ 432,242</u>	<u>\$(515,572)</u>	<u>\$7,500,405</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$18,176,756 (including available funds of \$177,080) and an unvoted debt margin of \$264,719.

**11. NOTES PAYABLE**

During fiscal year 1998, the District issued an energy conservation note and a permanent improvement note. The primary source of repayment of the energy conservation and permanent improvement note is through property tax revenue. The unmatured obligations at year end are shown as liabilities of the Permanent Improvement capital projects fund, the fund that received the note proceeds.

The following are the District's notes payable transactions for the year ended June 30, 1999:

	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>July 1, 1998</u>	<u>Retired</u> <u>in 1999</u>	<u>Balance</u> <u>June 30, 1999</u>
Energy Conservation Note	5.29%	09/25/97	10/01/07	\$1,036,074	\$(109,060)	\$ 927,014
Permanent Improvement Note II	4.70%	12/18/97	12/01/02	<u>460,000</u>	<u>(92,000)</u>	<u>368,000</u>
Total				<u>\$1,496,074</u>	<u>\$(201,060)</u>	<u>\$1,295,014</u>

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

**12. RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments. Real property, building and contents are fully insured.

The business auto coverage limits are \$1,000,000 for liability and bodily injury for each person and each accident. The property damage liability limit is \$1,000,000. The uninsured bodily injury and under insured motorists has a liability limit of \$1,000,000 each person and each accident. Comprehensive has a \$100 deductible and collision has a \$500 deductible.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$5,000,000 annual aggregate.

The District has a liability limit of \$500,000 for boiler insurance with a deductible of \$1,000.

**B. Medical Benefits**

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 13 member school districts. The plan was organized to provide medical, prescription, dental, vision, and life benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims or payments are made for all participating districts and claims are paid for all participants regardless of claims flow. The District is responsible for paying per year, health plan claims up to \$135,000 per individual and \$14,600,000 per school-wide aggregate, prior to coverage by a stop/loss carrier.

The District pays the insurance premiums for all full-time employees and for the part-time employees, the premiums paid by the District, are based upon the percentage worked.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. 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.

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

**12. RISK MANAGEMENT (Continued)**

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's 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 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.

**13. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and an adult education program. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$ 485,906	\$99,952	\$585,858
Operating expenses before depreciation	581,368	76,959	658,327
Depreciation	12,283	---	12,283
Operating income (loss)	(107,745)	22,993	(84,752)
Operating grants	47,880	---	47,880
Net income (loss)	(26,467)	22,993	(3,654)
Net working capital	(36,021)	44,552	8,513
Total assets	150,055	48,209	198,264
Total liabilities	131,132	3,657	134,789
Total equity	18,923	44,552	63,475
Encumbrances at 6/30/99	18,003	3,703	21,706



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

**14. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$265,247, \$221,817, and \$252,928, respectively; 61 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$103,728, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$982,133, \$905,408, and \$897,243, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$157,256, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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

**14. DEFINED PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. 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.

**15. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8.0 percent. For the District, this amount equaled \$561,219 during fiscal 1999.

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

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

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

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

**15. POST-EMPLOYMENT BENEFITS (Continued)**

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111.900 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$139,839 during the 1999 fiscal year.

**16. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

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

**16. BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Excess of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 282,233	\$(40,172)	\$ 54,156	\$(3,951,108)
Net adjustment for revenue accruals	119,634	1,545	(275,044)	275,043
Net adjustment for expenditure accruals	(349,086)	(27,737)	275,043	(36,918)
Net adjustment for other financing sources (uses)	72,943	(9,648)	---	---
Encumbrances (budget basis)	<u>101,454</u>	<u>86,360</u>	<u>---</u>	<u>220,767</u>
GAAP basis	<u>\$ 227,178</u>	<u>\$ 10,348</u>	<u>\$ 54,155</u>	<u>\$(3,492,216)</u>

**17. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

**B. Litigation**

The District is not currently a party to any legal proceedings.

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

**17. CONTINGENCIES (Continued)**

**C. State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,854,701 of school foundation support for its General Fund.

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

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

**18. STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of 7/1/98	\$ 0	\$ 0	\$ 72,394	\$ 72,394
Current year set-aside requirement	229,343	229,343	114,672	573,358
Amount Set-Aside in Excess of Required Set-Aside	0	0	4,425	4,425
Current year offsets	(38,487)	(65,630)	0	(104,117)
Qualifying disbursements	<u>(388,127)</u>	<u>(319,353)</u>	<u>0</u>	<u>(707,480)</u>
<b>Total</b>	<b>\$ <u>(197,271)</u></b>	<b>\$ <u>(155,640)</u></b>	<b>\$ <u>191,491</u></b>	<b>\$ <u>(161,420)</u></b>
Cash balance carried forward to FY 2000	\$ <u>0</u>	\$ <u>0</u>	<b>\$ <u>191,491</u></b>	<b>\$ <u>191,491</u></b>

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

**18. STATUTORY RESERVES (Continued)**

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

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	\$ <u>191,491</u>
Total restricted assets	\$ <u>191,491</u>



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Poland Local School District  
Mahoning County  
30 Riverside Drive  
Poland, Ohio 44514

To the Board of Education:

We have audited the financial statements of Poland Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated January 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

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



**JIM PETRO**  
Auditor of State

January 13, 2000





STATE OF OHIO  
OFFICE OF THE AUDITOR

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POLAND LOCAL SCHOOL DISTRICT  
MAHONING 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*  
Clerk of the Bureau

Date: MAR 30 2000