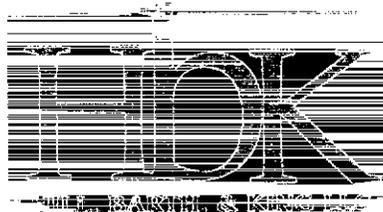

COMBINED FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

June 30, 1999



COMBINED FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

June 30, 1999

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

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SALEM CITY SCHOOL DISTRICT
1226 EAST STATE STREET
SALEM, OHIO 44460
COLUMBIANA COUNTY

ELECTED OFFICIALS

As of June 30, 1999

<u>ELECTED OFFICIALS</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<u>Board of Education</u>					
Robert E. Pond 1145 West State Street Salem, Ohio 44460	President	1/1/96 - 12/31/99	(A)	\$ 25,000	(B)
James Newman	Vice President	1/1/98 - 12/31/00	None	-	-
Mark L'Italian	Member	1/1/96 - 12/31/99	None	-	-
Mary Horning	Member	1/1/98 - 12/31/00	None	-	-
William Thorne	Member	1/1/98 - 12/31/00	None	-	-

Statutory Legal Counsel

Brook Zellars
585 E. State Street
Salem, Ohio 44460

(A) Nationwide Agribusiness Insurance Company
(B) Covers term

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

ADMINISTRATIVE PERSONNEL

As of June 30, 1999

<u>TITLE</u>	<u>TERM OF OFFICE OR CONTRACT PERIOD</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
--------------	--	---------------	---------------	---------------

Superintendent

Randy Engle 1326 Ridge Road Salem, Ohio 44460	8/1/98 - 7/31/00	(A)	\$ 30,000	(C)
---	------------------	-----	-----------	-----

Note: Randy Engle retired as Superintendent on December 31, 1999.

Treasurer

Ted Cougras 629 Matawan Avenue Campbell, Ohio 44505	1/1/98 - 12/31/99	(B)	\$ 30,000	(C)
---	-------------------	-----	-----------	-----

(A) Nationwide Agribusiness Insurance Company

(B) Ohio Surety Company

(C) Covers term

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:

General Fund

Special Revenue Fund Types:

Public School Support Fund

Emergency Levy Fund

Community Foundation Grants Fund

Educational Management Information System Fund

Disadvantaged Pupils Impact Aid Fund

Adult Basic Education Fund

Title VI-B Fund, Special Education: Assistance to Meet

Special Education Handicapped Children Fund

Title I Fund - Consolidation of Federal Program for

Elementary and Secondary Education Fund

Drug Free School Grant Fund

Memorial/Scholarship Funds

BUSTR Insurance Fund

Venture Capital Grant

District Managed Student Activity Fund

Nonpublic Auxiliary Service Fund

Block Grant

Textbook Subsidiary

NDEA Title III/Eisenhower Professional Development Grant

Chapter II Federal, State and Local Partnerships for

Educational Improvement (Ch. 2 of ESEA)

Pre-School Disabilities Grant

Asbestos Removal Fund

Debt Service Fund Types:

Bond Retirement Fund

Capital Projects Fund Types:

Permanent Improvement Fund

Construction Fund

School Net Plus Fund

PROPRIETARY FUND TYPES:

Enterprise Fund Types:

Food Service Fund

Uniform School Supply Fund

Trade Extension Fund

Internal Service Fund Types:

Rotary Services Fund

Employee Benefits Health Insurance Fund

FIDUCIARY FUND TYPES:

Trust and Agency Fund Types

Expendable Trusts:

Sunshine Fund

Nonexpendable Trusts:

Special Endowment Fund

Agency:

Student Activities Fund

Health Insurance Fund

Pell Grants Fund



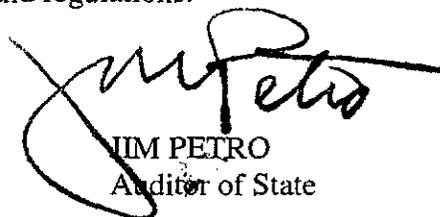
STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Education
Salem City School District
Salem, Ohio

We have reviewed the Independent Auditor's Report of the Salem City School District, Columbiana County, prepared by Hill, Barth & King LLC, for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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


JIM PETRO
Auditor of State

June 24, 2000



City Centre One, Suite 514
100 Federal Plaza East
Youngstown, Ohio 44503
(330) 747-1903 PHONE
(330) 747-5805 FAX
www.hbkcpa.com

February 23, 2000

Board of Education
Salem City School District
Salem, Ohio

Independent Auditors' Report

We have audited the accompanying combined financial statements of Salem City School District as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of Salem City School District's management. Our responsibility is to express an opinion on these 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.

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial statements in accordance with generally accepted accounting principles. However, as discussed in Note 9, Salem City School District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the cash balances of Salem City School District as of June 30, 1999, and the related cash receipts and disbursements, and budgeted receipts, appropriations, and encumbrances for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2000 on our consideration of Salem City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the combined financial statements of Salem City School District taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the U.S. Department of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Barth & King LLC
Certified Public Accountants

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES

June 30, 1999

Cash - NOTE 2	\$ (835,875)
Restricted cash	<u>717,485</u> (118,390)
Investments - NOTE 2	<u>7,243,189</u>
Total	<u>\$7,124,799</u>

CASH BALANCES FUND TYPE

Governmental Funds:		
General Fund:		
Unreserved		\$3,287,094
Reserved for Budget Stabilization		<u>717,485</u>
	Total General Fund	4,004,579
Special Revenue Funds		336,201
Debt Service Fund		1,726,756
Capital Projects Funds		367,086
Proprietary Funds:		
Enterprise Funds		206,267
Internal Service Funds		283,293
Fiduciary Funds:		
Trust and Agency Funds		<u>200,617</u>
	Total	<u>\$7,124,799</u>

See accompanying notes to combined financial statements

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS

Year ended June 30, 1999

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
<u>REVENUE RECEIPTS</u>		
Revenue from Local Sources:		
Taxes	\$ 8,105,977	\$ 1,294,680
Tuition	(6,580)	0
Earnings on Investment	331,615	3,890
Extracurricular Activities	338	197,470
Classroom Materials and Fees	915	0
Miscellaneous Receipts	94,628	196,134
Total Local Receipts	<u>8,526,893</u>	<u>1,692,174</u>
Revenue from State Sources:		
Unrestricted Grants-In-Aid	6,682,082	174,065
Restricted Grants-In-Aid	28,466	192,868
Revenue for/on Behalf of the District	566	0
Total State Receipts	<u>6,711,114</u>	<u>366,933</u>
Revenue from Federal Sources:		
Unrestricted Grants-In-Aid	2,800	0
Restricted Grants-In-Aid	0	655,026
Total Federal Receipts	<u>2,800</u>	<u>655,026</u>
Total Revenue Receipts	<u>\$15,240,807</u>	<u>\$ 2,714,133</u>

See accompanying notes to combined financial statements

<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY</u>	<u>TOTALS</u>
<u>DEBT</u>	<u>CAPITAL</u>	<u>FUND TYPES</u>	<u>(MEMORANDUM</u>
<u>SERVICE</u>	<u>PROJECTS</u>	<u>EXPENDABLE</u>	<u>ONLY)</u>
		<u>TRUST</u>	
\$ 933,979	\$ 417,287	\$ 0	\$10,751,923
0	0	0	(6,580)
0	0	0	335,505
0	0	0	197,808
0	0	0	915
0	0	(35,555)	255,207
<u>933,979</u>	<u>417,287</u>	<u>(35,555)</u>	<u>11,534,778</u>
64,160	37,762	0	6,958,069
0	135,883	0	357,217
0	0	0	566
<u>64,160</u>	<u>173,645</u>	<u>0</u>	<u>7,315,852</u>
0	0	0	2,800
0	0	0	655,026
0	0	0	657,826
<u>\$ 998,139</u>	<u>\$ 590,932</u>	<u>\$ (35,555)</u>	<u>\$19,508,456</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS (CONTINUED)

Year ended June 30, 1999

<u>EXPENDITURE DISBURSEMENTS</u>	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
Instruction:		
Regular	\$ 7,140,297	\$ 106,091
Special	1,438,845	622,702
Vocational Education	471,195	0
Adult/Continuing	0	13,394
Other	174,708	0
Total Instruction	<u>9,225,045</u>	<u>742,187</u>
Support Services:		
Pupils	710,506	132,708
Instructional Staff	682,070	43,440
Board of Education	41,141	0
School Administration	1,282,154	62,723
Fiscal	420,043	0
Business	63,112	0
Operation and Maintenance	1,664,196	0
Student Transportation	396,713	0
Support Services - Central	57,117	7,769
Total Support Services	<u>5,317,052</u>	<u>246,640</u>
Operation of Non-Instructional Services:		
Community Services	0	56,092
Total Non-Instructional Services	<u>0</u>	<u>56,092</u>
Extracurricular Activities:		
Academic and Subject Oriented	10,405	27,114
Sports Oriented	257,230	155,563
Co-Curricular Activities	12,449	32,933
Total Extracurricular Activities	<u>280,084</u>	<u>215,610</u>

See accompanying notes to combined financial statements

<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY</u>	<u>TOTALS</u>
<u>DEBT</u>	<u>CAPITAL</u>	<u>FUND TYPES</u>	<u>(MEMORANDUM</u>
<u>SERVICE</u>	<u>PROJECTS</u>	<u>EXPENDABLE</u>	<u>ONLY)</u>
		<u>TRUST</u>	
\$ 0	\$ 201,915	\$ 0	\$ 7,448,303
0	0	0	2,061,547
0	0	0	471,195
0	0	0	13,394
0	0	0	174,708
<u>0</u>	<u>201,915</u>	<u>0</u>	<u>10,169,147</u>
0	313	0	843,527
0	0	296	725,806
0	0	0	41,141
0	0	0	1,344,877
22,311	8,154	0	450,508
0	0	0	63,112
0	282,804	0	1,947,000
0	0	0	396,713
0	0	0	64,886
<u>22,311</u>	<u>291,271</u>	<u>296</u>	<u>5,877,570</u>
0	0	1,865	57,957
0	0	1,865	57,957
0	0	0	37,519
0	0	0	412,793
0	0	0	45,382
<u>0</u>	<u>0</u>	<u>0</u>	<u>495,694</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS (CONTINUED)

Year ended June 30, 1999

<u>EXPENDITURE DISBURSEMENTS (CONTINUED)</u>	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
Facilities Acquisition and Construction Services:		
Architecture and Engineering	\$ 0	\$ 0
Building Improvement	0	31,985
Other Facilities Acquisition	0	0
Total Facilities Acquisition and Construction Services	0	31,985
Debt Services:		
Repayment of Debt	0	0
Total Debt Services	0	0
Total Expenditure Disbursements	14,822,182	1,292,516
Excess of Revenue Receipts Over/ (Under) Expenditure Disbursements	418,625	1,421,617
Other Financing Sources:		
Sale and Loss of Assets	464	0
Sale of Notes	0	0
Transfers-In	1,528,734	20,000
Refund Prior Year Expenditure	41	0
Other Financing Uses:		
Transfers-Out	305,564	1,528,734
Total Other Financing Sources (Uses)	1,223,675	(1,508,734)

See accompanying notes to combined financial statements

<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY</u>	<u>TOTALS</u>
<u>DEBT</u>	<u>CAPITAL</u>	<u>FUND TYPES</u>	<u>(MEMORANDUM</u>
<u>SERVICE</u>	<u>PROJECTS</u>	<u>EXPENDABLE</u>	<u>ONLY)</u>
		<u>TRUST</u>	
\$ 0	\$ 16,060	\$ 0	\$ 16,060
0	424,512	0	456,497
0	4,722	0	4,722
0	445,294	0	477,279
2,436,015	0	0	2,436,015
2,436,015	0	0	2,436,015
2,458,326	938,480	2,161	19,513,665
(1,460,187)	(347,548)	(37,716)	(5,209)
0	0	0	464
1,430,000	0	0	1,430,000
285,564	0	0	1,834,298
0	0	0	41
0	0	0	1,834,298
1,715,564	0	0	1,430,505

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS (CONTINUED)

Year ended June 30, 1999

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
<u>EXPENDITURE DISBURSEMENTS (CONTINUED)</u>		
Excess of Revenue Receipts and Other Sources Over/(Under) Expenditure Disbursements and Other Uses	\$ 1,642,299	\$ (87,116)
Fund Cash Balances, July 1, 1998	<u>2,362,280</u>	<u>423,317</u>
Fund Cash Balances, June 30, 1999	<u>\$ 4,004,579</u>	<u>\$ 336,201</u>

See accompanying notes to combined financial statements

<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY</u>	<u>TOTALS</u>
<u>DEBT</u>	<u>CAPITAL</u>	<u>FUND TYPES</u>	<u>(MEMORANDUM</u>
<u>SERVICE</u>	<u>PROJECTS</u>	<u>EXPENDABLE</u>	<u>ONLY)</u>
		<u>TRUST</u>	
\$ 255,377	\$ (347,548)	\$ (37,716)	\$ 1,425,296
<u>1,471,379</u>	<u>714,634</u>	<u>63,045</u>	<u>5,034,655</u>
<u>\$ 1,726,756</u>	<u>\$ 367,086</u>	<u>\$ 25,329</u>	<u>\$ 6,459,951</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS

Year ended June 30, 1999

	<u>PROPRIETARY FUND TYPES</u>	
	<u>ENTERPRISE</u> <u>FUNDS</u>	<u>INTERNAL</u> <u>SERVICE</u>
 <u>OPERATING RECEIPTS</u>		
Tuition	\$ 239,329	\$ 0
Earnings on Investment	0	0
Food Services	239,120	0
Extracurricular Activities	0	0
Classroom Materials and Fees	40,404	0
Total Operating Receipts	<u>518,853</u>	<u>0</u>
 <u>OPERATING DISBURSEMENTS</u>		
Personal Services - Salaries	377,286	0
Employee's Retirement and Insurance	194,731	0
Purchased Services	27,791	8,635
Supplies and Materials	228,364	0
Capital Outlay - Replacement	4,825	0
Other Objects	6,141	124,255
Total Operating Disbursements	<u>839,138</u>	<u>132,890</u>
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	<u>(320,285)</u>	<u>(132,890)</u>
 <u>NONOPERATING RECEIPTS</u>		
Earnings on Investment	1,506	0
Miscellaneous Receipts	14,484	(108,464)
Revenue in Lieu of Taxes	753	0
State Sources:		
Unrestricted Grants-In-Aid	167,171	0
Federal Sources:		
Unrestricted Grants-In-Aid	192,551	0
Restricted Grants-In-Aid	0	0
Refund of Prior Year's Expenditures	0	638
Total Nonoperating Receipts	<u>376,465</u>	<u>(107,826)</u>

See accompanying notes to combined financial statements

FIDUCIARY FUND TYPES		TOTALS
NONEXPENDABLE		(MEMORANDUM ONLY)
TRUST	AGENCY	
\$ 0	\$ 0	\$ 239,329
44,789	0	44,789
0	0	239,120
0	35,627	35,627
0	0	40,404
<u>44,789</u>	<u>35,627</u>	<u>599,269</u>
0	0	377,286
0	0	194,731
0	92,691	129,117
0	0	228,364
0	0	4,825
<u>4,250</u>	<u>36,693</u>	<u>171,339</u>
<u>4,250</u>	<u>129,384</u>	<u>1,105,662</u>
<u>40,539</u>	<u>(93,757)</u>	<u>(506,393)</u>
0	0	1,506
0	2,516	(91,464)
0	0	753
0	0	167,171
0	0	192,551
0	92,691	92,691
0	0	638
<u>0</u>	<u>95,207</u>	<u>363,846</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS (CONTINUED)

Year ended June 30, 1999

	<u>PROPRIETARY FUND TYPES</u>	
	<u>ENTERPRISE</u> <u>FUNDS</u>	<u>INTERNAL</u> <u>SERVICE</u>
<u>NONOPERATING DISBURSEMENTS</u>		
Excess of Cash Receipts Over/(Under)		
Disbursements Before Interfund Transfers	\$ 56,179	\$ (240,716)
Net Excess of Cash Receipts		
Over/(Under) Disbursements	56,179	(240,716)
Fund Cash Balances, July 1, 1998	150,088	524,008
Fund Cash Balances, June 30, 1999	<u>\$ 206,267</u>	<u>\$ 283,293</u>

See accompanying notes to combined financial statements

<u>FIDUCIARY FUND TYPES</u>		<u>TOTALS</u>
<u>NONEXPENDABLE</u>		<u>(MEMORANDUM</u>
<u>TRUST</u>	<u>AGENCY</u>	<u>ONLY)</u>
<u>\$ 40,539</u>	<u>\$ 1,450</u>	<u>\$ (142,548)</u>
40,539	1,450	(142,548)
<u>115,766</u>	<u>17,535</u>	<u>807,397</u>
<u>\$ 156,304</u>	<u>\$ 18,984</u>	<u>\$ 664,848</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL

Year ended June 30, 1999

<u>FUND TYPES/FUNDS</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Governmental:			
General	\$16,805,817	\$16,770,046	\$ (35,771)
Special Revenue	2,734,134	2,734,134	0
Debt Service	2,713,703	2,713,703	0
Capital Projects	555,161	590,932	35,771
Proprietary:			
Enterprise	886,205	895,318	9,113
Internal Service	(107,826)	(107,826)	0
Fiduciary:			
Trust and Agency	140,066	140,066	0
Totals (Memorandum Only)	<u>\$23,727,260</u>	<u>\$23,736,373</u>	<u>\$ 9,113</u>

See accompanying notes to combined financial statements

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY

Year ended June 30, 1999

<u>FUND TYPES/FUNDS</u>	<u>PRIOR YEAR CARRYOVER APPROPRIATIONS</u>	<u>1999 APPROPRIATIONS</u>	<u>TOTAL</u>
Governmental:			
General	\$ 196,048	\$ 15,314,631	\$ 15,510,679
Special Revenue	21,892	2,884,339	2,906,231
Debt Service	0	2,458,326	2,458,326
Capital Projects	360,834	732,387	1,093,221
Proprietary:			
Enterprise	2,775	849,292	852,067
Internal Service	1,503	132,823	134,326
Fiduciary:			
Trust and Agency	420	136,174	136,594
Totals (Memorandum Only)	<u>\$ 583,472</u>	<u>\$ 22,507,972</u>	<u>\$ 23,091,444</u>

See accompanying notes to combined financial statements

<u>ACTUAL 1999 DISBURSEMENTS</u>	<u>ENCUMBRANCES OUTSTANDING AT JUNE 30, 1999</u>	<u>TOTAL</u>	<u>VARIANCES FAVORABLE (UNFAVORABLE)</u>
\$ 15,127,746	\$ 236,246	\$ 15,363,992	\$ 146,687
2,821,249	77,025	2,898,274	7,957
2,458,326	0	2,458,326	0
938,480	154,740	1,093,220	1
839,138	12,929	852,067	0
132,890	1,436	134,326	0
<u>135,794</u>	<u>800</u>	<u>136,594</u>	<u>0</u>
<u>\$ 22,453,623</u>	<u>\$ 483,176</u>	<u>\$ 22,936,799</u>	<u>\$ 154,645</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Salem City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Salem City School District is a city district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to the residents of the District.

Average daily membership (ADM) as of October 1, 1998 was 2,839. The District employed 202 certificated employees on a full-time equivalent basis and 85 non-certificated employees.

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

B. BASIS OF ACCOUNTING

The District prepares its financial statements on a basis of cash receipts and disbursements, consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the District under the basis of accounting used. By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

Debt Service Fund

Debt Service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FUND ACCOUNTING (CONTINUED)

GOVERNMENTAL FUNDS (CONTINUED)

Capital Projects Funds

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

PROPRIETARY FUNDS

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUNDS

Trust and Agency Funds

Trust and Agency funds 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) Expendable Trust Funds, (b) Nonexpendable Trust Funds, and (c) Agency Funds.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts, as shown in the accompanying financial statements, do not include July 1, 1998 encumbered fund balances. Advances were budgeted and are included as actual receipts and disbursements and changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Funds. However, those fund balances are available for appropriations.

3. Appropriations

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

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETARY PROCESS (CONTINUED)

4. Encumbrances

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

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

F. CASH AND CASH EQUIVALENTS

During the year ended June 30, 1999, the District included highly liquid debt instruments with an original maturity of three months or less as cash equivalents. Included in cash equivalents are repurchase agreements, held as part of the District's overnight sweep type checking account, which are transferred as checks are drawn on the account.

G. 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. At June 30, 1999, the balance in the reserve for budget stabilization was \$717,485.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

I. ACCUMULATED UNPAID VACATION, PERSONAL LEAVE AND SICK PAY

Accumulated unpaid vacation, personal leave and sick pay are not accrued under the cash basis of accounting described in Note 1. At June 30, 1999, management estimates that \$144,077 in vacation leave, \$68,035 in personal leave and \$7,546,222 in sick leave have been accumulated by the employees of the District. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 1999.

J. TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

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

2. POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The amounts of this pooled investment are reflected on the Combined Statement of Cash, Investments and Fund Cash Balances as Cash, Cash Equivalents and/or Other Investments.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

2. POOLED CASH AND INVESTMENTS (CONTINUED)

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenues credited to the general fund during fiscal 1999 amounted to \$331,615.

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

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

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

Interim Deposits are deposits of interim 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.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

2. POOLED CASH AND INVESTMENTS (CONTINUED)

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

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

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

2. POOLED CASH AND INVESTMENTS (CONTINUED)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivative 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.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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.

Deposits. At year end, the carrying amount of the District's deposits, cash equivalents and temporary investments was \$(118,390) and the bank balance was \$144,997, which consists of \$86,073 interest bearing and \$58,924 noninterest bearing. The difference between carrying amount and bank balance is caused by items in transit and outstanding checks.

The District maintains federal depository insurance of \$100,000 for interest-bearing accounts and \$100,000 for noninterest-bearing accounts. At June 30, 1999, the bank balance of \$144,997 was covered by federal depository insurance.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

2. POOLED CASH AND INVESTMENTS (CONTINUED)

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

	CATEGORY			CARRYING VALUE	MARKET VALUE
	1	2	3		
Repurchase Agreements	\$ 0	\$1,928,842	\$ 0	\$1,928,842	\$1,967,419
Stocks	117,052	0	0	117,052	117,052
STAROhio	0	0	0	5,191,149	5,191,149
Total Investments	<u>\$117,052</u>	<u>\$1,928,842</u>	<u>\$ 0</u>	<u>\$7,237,043</u>	<u>\$7,275,620</u>

3. DEBT OBLIGATIONS

Debt outstanding at June 30, 1999 consisted of the following:

<u>General Obligation Bonds</u>	
Principal Outstanding	\$ 315,000
Interest Rates	5.3 to 8.125%
<u>General Obligation Notes</u>	
Principal Outstanding	\$2,018,850
Interest Rates	0 to 4.83%

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

3. DEBT OBLIGATIONS (CONTINUED)

The general obligation bonds consist of energy conservation and public library issues. The bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

New debt consisting of Bond Anticipation Notes and Energy Conservation Notes for which resources are pledged, was issued in 1999. These notes are secured by District resources.

The annual requirements to amortize all bonded debt outstanding as of June 30, 1999, including interest payments of \$56,919, are as follows:

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>GENERAL</u> <u>OBLIGATION</u> <u>BONDS</u>
2000	\$ 116,169
2001	70,641
2002	66,172
2003	61,703
2004	57,234
Total	<u>\$ 371,919</u>

The annual requirements to amortize all note debt outstanding as of June 30, 1999, including interest payments of \$38,231, are as follows:

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>GENERAL</u> <u>OBLIGATION</u> <u>NOTES</u>
2000	\$1,719,603
2001	289,603
2002	8,704
2003	8,704
2004	8,704
2005-2007	21,763
Total	<u>\$2,057,081</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second-half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 1998 taxes were collected are:

	<u>1997 SECOND- HALF COLLECTIONS</u>		<u>1998 FIRST- HALF COLLECTIONS</u>	
	<u>AMOUNT</u>	<u>PERCENT</u>	<u>AMOUNT</u>	<u>PERCENT</u>
Agricultural/Residential and Other Real Estate	\$165,165,690	70.48%	\$202,925,390	73.00%
Public Utility Personal Property	15,195,870	6.48	14,981,090	5.39
Tangible Personal Property	<u>53,985,820</u>	<u>20.04</u>	<u>60,065,850</u>	<u>21.61</u>
TOTALS	<u>\$234,347,380</u>	<u>100.00</u>	<u>\$277,972,330</u>	<u>100.00</u>

The full tax rate applied to real property for the tax (calendar) year 1998 was \$47.30 per \$1,000 of assessed valuation. After adjustment of the rate of inflationary increases in property values, the effective tax rate was \$29.47 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$29.51 per \$1,000 of assessed valuation for all other real property. Real property owner's tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

4. PROPERTY TAXES (CONTINUED)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the 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.

5. RISK MANAGEMENT

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. For Fiscal Year 1999, the District contracted with Wassau Insurance Companies for property, general liability, crime, inland marine, and automobile insurance coverage. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. General liability contains a \$1,000,000 single occurrence limit and \$5,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. This all risk policy has a \$1,000 deductible.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

5. RISK MANAGEMENT (CONTINUED)

The District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its Workers' Compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are 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 Districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost controls and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of seven school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays claims on the District's behalf. The District's health insurance expenditures, including administrative fees and premiums paid to the Consortium totalled \$1,938,833 for the year ended June 30, 1999.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

5. RISK MANAGEMENT (CONTINUED)

The District's health insurance plan involves a combination of self-insurance through a claims servicing pool, a shared risk pool and a group insurance purchasing pool through the Consortium. The District is self-insured for plan year costs of \$65,000.

These claims are handled through the Consortium under a claims servicing type pool, in that the pool reviews and pays claims of the participants through a third-party administrator. The Consortium also provides stop/loss coverage for member districts which protects each district from individual claims which exceed plan-year costs of \$65,000 (on a claims paid basis) under a shared risk pool arrangement. Premium payments made by the members to the Consortium are utilized to fund an additional \$30,000 of plan year costs (on a claims paid basis). Based on claims and premiums of the Consortium, the members may be assessed additional costs based on their proportionate share of the Consortium costs.

The Consortium provides further individual specific stop/loss protection for claims which exceed \$95,000 in total costs for the plan year (on a claims paid basis) by purchasing commercial insurance. This insurance protection indemnifies districts against total claim costs exceeding \$95,000 up to a maximum of \$2,000,000, except in the case of districts whose negotiated plan establishes claim maximums at lower limits. The Salem City Schools' plan has a maximum claim cost of \$250,000 per occurrence with an aggregate lifetime maximum of \$1,000,000. If a Consortium member is in a deficit account balance at the end of the fiscal year, the member must pay 50% of the deficit amount in a lump-sum or in equal installments over the next 12 months and continue their repayment plan until the deficit is eliminated.

During fiscal 1999, the District's claims exceeded its cash balance in the consortium which resulted in a deficit of \$38,269 at June 30, 1999. This deficit is expected to be funded through twelve monthly payments, which will be added to the District's premium payments, during the year ending June 30, 2000. Health insurance increased to \$1,938,833 in 1999 from \$1,416,836 in 1998 due to an increase in the premium and repayment of a deficit balance in the consortium of \$245,016 at June 30, 1998.

Settled claims have not exceeded coverage in any of the last three years and there was no reduction in coverage from the prior year.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

6. DEFINED BENEFIT PENSION PLANS

A. STATE TEACHERS RETIREMENT SYSTEM

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. 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; 6.0 percent was the portion used to fund pension obligations. For fiscal year ended June 30, 1998, 10.5 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$1,158,878, \$1,122,940, and \$1,069,964, respectively.

B. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 N. Fourth Street, Columbus, Ohio 43215.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. SCHOOL EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.70 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$239,017, \$228,335, and \$221,393, respectively.

7. POST EMPLOYMENT BENEFITS

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

The STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. On July 1, 1998, this allocation was increased to 8.0 percent. For the District, this amount equaled \$662,216 during the 1999 Fiscal Year. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

7. POST EMPLOYMENT BENEFITS (CONTINUED)

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 fiscal year 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.21 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 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.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, totalled \$144,798 during fiscal 1999.

8. OTHER EMPLOYEE BENEFITS

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees receive up to twenty days of vacation per year, depending upon length of service. Vacation days are credited to classified employees as they earn them and they must be used within the next 12 months. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. 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. A percentage of unused sick time is paid at retirement. The number of unused sick days which can accumulate is restricted.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

9. CONTINGENCIES

A. GRANTS

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

B. LITIGATION

The Salem City School District is currently party to two legal proceedings. The District's management is of the opinion that the ultimate disposition of these legal proceedings will not have a material adverse effect, if any, on the financial condition of the District.

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 Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" (Program), which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$6,166,138 of school foundation support for its General Fund.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

9. CONTINGENCIES (CONTINUED)

C. STATE SCHOOL FUNDING DECISION (CONTINUED)

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

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

D. OHIO ADMINISTRATIVE CODE SECTION 117-2-01

Ohio Administrative Code Section 117-2-01 requires that a school district prepare its annual financial statements in accordance with generally accepted accounting principles (GAAP) unless a waiver has been granted. For the year ended June 30, 1999, Salem City School District's waiver request was denied. The District decided not to comply with the aforementioned code section and has prepared their financial statements using the basis of accounting formerly prescribed or permitted by the Auditor of State, as discussed in the summary of significant accounting policies. Consequently, the District could incur administrative fines or other legal administrative remedies to be determined by the Auditor of State.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

10. JOINTLY GOVERNED ORGANIZATION

Area Cooperative Computerized Education Service System (ACCESS) is a joint governed organization among twenty-three school districts. The jointly governed organization was formed to provide data service among member districts. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. In fiscal year 1999, the District paid \$40,260 to ACCESS based upon average daily membership. The degree of control exercised by any participating district is limited to its representation on the assembly. Financial information can be obtained by writing to Area Cooperative Computerized Educational Service System, 2801 Market Street, Youngstown, Ohio 44507.

11. PUBLIC ENTITY RISK POOLS

The District participates in the Ohio School Boards Association (OSBA) 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.

Columbiana County Employees Insurance Consortium (Consortium) is a jointly governed organization. The Consortium provides services to the seven member schools including health, dental, prescription drug and life insurance. The Board of Directors is comprised of the Superintendent from each District. All claims are processed through a third-party administrator, and the fiscal agent and budgeting authority is United Local School District. Financial information can be obtained by writing to the United Local School District, 8143 State Route 9, Hanoverton, Ohio 44423.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

12. SET-ASIDE BALANCES

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$ 87,473	\$ 87,473
Current Year Set-aside Requirement	286,994	286,994	630,012	1,204,000
Less Qualifying Disbursements	<u>303,063</u>	<u>416,502</u>	<u>0</u>	<u>719,565</u>
TOTAL	(16,069)	(129,508)	717,485	571,908
Cash Balance Carried forward to FY 1999	<u>0</u>	<u>0</u>	<u>717,485</u>	<u>717,485</u>
TOTAL RESTRICTED ASSETS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 717,485</u>	<u>\$717,485</u>

Although the School 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.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 1999

<u>FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>
<u>U.S. Department of Education</u>		
Passed through the Ohio Department of Education:		
Adult Basic Education	84.002	044735-AB-S1-99
Title 1 - Educationally Deprived Children - Local Educational Agencies (Title 1 of ESEA)	84.010	044735-C1-S1-98
	84.010	044735-C1-S1-99
Special Education Cluster:		
Special Education Assistance to States for Handicapped Children Fund (Title VI-B of ESEA) - Flow-through	84.027	044735-6B-SF-99
Handicapped Pre-School Grant	84.173	044735-PG-S1-99
Consolidation of Federal Programs for Elementary and Secondary Education (Title VI)	84.298	044735-C2-S1-99
Dwight D. Eisenhower Professional Development Grant (Title II)	84.281	044735-MS-S1-99
Drug Free Schools Grant (Title IV)	84.186	044735-DR-S1-99
Pell Grants	84.063	N/A
Carl Perkins	84.038	N/A
Total Department of Education Carried Forward		

See accompanying notes to the Schedule of Expenditures of Federal Awards

<u>PROGRAM OR AWARD AMOUNT</u>	<u>RECEIPTS</u>	<u>FEDERAL CASH DISBURSEMENTS</u>	<u>OTHER FEDERAL DISBURSEMENTS</u>
\$ 9,573	\$ 9,573	\$ 10,833	\$ 0
8,967	8,967	8,967	0
<u>465,785</u>	<u>465,785</u>	<u>465,785</u>	<u>0</u>
<u>474,752</u>	<u>474,752</u>	<u>474,752</u>	<u>0</u>
129,725	129,725	0	103,907
<u>12,675</u>	<u>12,675</u>	<u>12,675</u>	<u>0</u>
<u>142,400</u>	<u>142,400</u>	<u>12,675</u>	<u>103,907</u>
0	0	547	0
14,137	14,137	0	0
14,164	14,164	13,018	0
92,691	92,691	92,691	0
<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>0</u>
<u>750,517</u>	<u>750,517</u>	<u>607,316</u>	<u>103,907</u>
<u>750,517</u>	<u>750,517</u>	<u>607,316</u>	<u>103,907</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended June 30, 1999

<u>FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>
Total Department of Education Brought Forward		
 <u>U.S. Department of Agriculture</u>		
Passed through Ohio Department of Education: Child Nutrition Cluster		
National School Lunch Program	10.555	044735-03-PU 044735-04-PU
School Breakfast Program	10.553	044735-05-PU
Food Distribution	10.550	N/A
Total U.S. Department of Agriculture		
Total Federal Financial Assistance		

See accompanying notes to Schedule of Expenditures of Federal Awards

<u>PROGRAM OR AWARD AMOUNT</u>	<u>RECEIPTS</u>	<u>FEDERAL CASH DISBURSEMENTS</u>	<u>OTHER FEDERAL DISBURSEMENTS</u>
\$ 750,517	\$ 750,517	\$ 607,316	\$ 103,907
28,593	28,593	28,593	0
<u>132,671</u>	<u>132,671</u>	<u>132,671</u>	<u>0</u>
<u>161,264</u>	<u>161,264</u>	<u>161,264</u>	<u>0</u>
31,287	31,287	31,287	0
<u>50,660</u>	<u>50,660</u>	<u>0</u>	<u>50,660</u>
<u>243,211</u>	<u>243,211</u>	<u>192,551</u>	<u>50,660</u>
<u>\$ 993,728</u>	<u>\$ 993,728</u>	<u>\$ 799,867</u>	<u>\$ 154,567</u>

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the combined financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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February 23, 2000

Board of Education
Salem City School District
Salem, Ohio

**Report on Compliance and on Internal Control
Over Financial Reporting Based on an
Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

We have audited the combined financial statements of Salem City School District (District) as of and for the year ended June 30, 1999 and have issued our report thereon dated February 23, 2000. As discussed in the report, the District prepares its financial statements on the basis of cash receipts and disbursements with modifications designed to demonstrate the District's compliance with the budget laws of the State of Ohio. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item numbers 1999-01 to 1999-03. In addition, we noted certain immaterial instances of noncompliance, which we have reported to management of the District in a separate letter dated February 23, 2000.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Salem City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Salem City School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the combined financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item number 1999-04.

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 combined 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated February 23, 2000.

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

Hill, Barth & King LLC

Certified Public Accountants



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February 23, 2000

Board of Education
Salem City School District
Salem, Ohio

Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

COMPLIANCE

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

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

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

INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Hill, Barth & King LLC

Certified Public Accountants

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under Section .510?	No
Major Programs (list):	Title 1 - Educationally Deprived Children- Local Educational Agencies, CFDA #84.010
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
Low Risk Auditee?	Yes

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 1999

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

Finding: 1999-01

Ohio Administrative Code Section 117-2-01 requires that a school district prepare its annual financial reports in accordance with generally accepted accounting principles unless a waiver has been granted. Salem City School District did not received a waiver and prepares its financial statements using a comprehensive basis of accounting other than GAAP.

We recommend that District compile data for and comply with requirements for subsequent years.

Management's Response

The Treasurer is aware of the requirements and is anticipating a conversion to the GAAP basis of accounting during fiscal year 2000.

Finding: 1999-02

Ohio Revised Code Section 5705.391(B) requires that a school district update the 5 year projections of revenue and expenditures if actual revenues or expenditures deviate from the projections by 5% or more. Salem City School District had projected revenues and expenditures that deviated by 5% or more and did not update the five year projections.

We recommend that the District update the 5 year projections to comply with the requirements in the subsequent years.

Management's Response

The Treasurer is aware of the requirements and will update the 5 year projection, if necessary, during subsequent years.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 1999

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

Finding: 1999-03

Ohio Revised Code Section 5705.39 requires that certain reported appropriations not exceed the final awarded certificate of resources for such fund. Salem City School District had certain fund appropriations exceed the amended certification of resources.

We recommend that the District comply with the requirements for subsequent years.

Management's Response

The Treasurer is aware of the requirements and will comply with the requirements in subsequent years.

Finding: 1999-04

The bank reconciliations were not performed in a timely manner. The June 1999 bank reconciliation was not performed until January 2000, resulting in a \$163,527 adjustment due to a reconciling unposted item.

We recommend that the District perform reconciliations in the month in which the bank statements are received and adjustments, if any, be made accordingly.

Management's Response

The Treasurer will perform bank reconciliations and adjustments in a timely manner in subsequent years.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .315 (b)

June 30, 1999

<u>FINDING</u> <u>NUMBER</u>	<u>FINDING</u> <u>SUMMARY</u>	<u>FULLY</u> <u>CORRECTED?</u>	<u>NOT CORRECTED, PARTIALLY CORRECTED;</u> <u>SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION</u> <u>TAKEN; OR FINDING NO LONGER VALID; EXPLAIN:</u>
1998-01	Ohio Administrative Code Section 117-2-01 requires that a school district prepare its annual financial statements in accordance with generally accepted accounting principles (GAAP) unless a waiver has been granted. Salem City School District has not received a waiver and reports using a comprehensive basis of accounting other than GAAP.	No	The Salem City School District has continued to prepare its financial statement using a comprehensive basis of accounting other than GAAP. Management expected to receive a waiver for 1997, 1998 and 1999, however the waiver requests were denied. This finding is repeated in the Schedule of Findings and Questioned Costs for the year ended June 30, 1999. Management intends to implement a GAAP conversion for fiscal year 2000.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

GENERAL COMMENTS

District personnel were cooperative and available for questions and assistance during regular working hours.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

CONCLUSION STATEMENT

The audit report and management letter was reviewed with and acknowledged by Ted Cougras and Dr. David Brobeck on June 5, 2000.

The individuals were informed that they had five working days for the Auditor of State and sixty days for the federal government from the date of the post audit conference to respond to, or contest, in writing, the contents of this report. No such written response was received during the five-day period.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SALEM CITY SCHOOL DISTRICT
COLUMBIANA 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: JULY 18, 2000