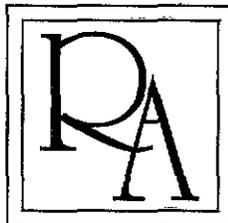


**SHELBY CITY SCHOOL DISTRICT  
GENERAL PURPOSE FINANCIAL STATEMENTS**

**TOGETHER WITH AUDITOR'S REPORT AND  
AUDITOR'S REPORTS ON INTERNAL CONTROL,  
COMPLIANCE, SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS AND OTHER MATTERS**

**JULY 1, 1998 - JUNE 30, 1999**



Reichert & Associates, CPA's

206 West Hardin Street  
Findlay, Ohio 45840  
419-422-6131

**SHELBY CITY SCHOOL DISTRICT  
GENERAL PURPOSE FINANCIAL STATEMENTS**

**TOGETHER WITH AUDITOR'S REPORT AND  
AUDITOR'S REPORTS ON INTERNAL CONTROL,  
COMPLIANCE, SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS AND OTHER MATTERS**

**JULY 1, 1998 - JUNE 30, 1999**

**SHELBY CITY SCHOOL DISTRICT**  
**RICHLAND COUNTY**

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**SHELBY CITY SCHOOL DISTRICT**  
**25 HIGH SCHOOL STREET**  
**SHELBY, OHIO 44875**

**ELECTED OFFICIALS**  
**AS OF JUNE 30, 1999**

<b><u>Elected Officials</u></b>	<b><u>Title</u></b>	<b><u>Term of Office</u></b>	<b><u>Surety</u></b>
<b><u>Board of Education</u></b>			
Fred McKinney	President	1/1/96 - 12/31/99	(A)
William Roush	Vice President	1/1/98 - 12/31/01	
Howard Barber	Member	1/1/96 - 12/31/99	
Gregory Friebel	Member	1/1/98 - 12/31/01	
Randall Terman	Member	1/1/98 - 12/31/01	

**Statutory Legal Counsel**

R. Lee Sheperd  
23 West Maine Street  
Shelby, Ohio 44875

Shelby City Law Director

(A) Nationwide Mutual Insurance Company for \$20,000, for the period 1/1/99 to 1/1/02.

**SHELBY CITY SCHOOL DISTRICT**  
**25 HIGH SCHOOL AVENUE**  
**SHELBY, OHIO 44875**

**ADMINISTRATIVE PERSONNEL**  
**AS OF JUNE 30, 1999**

<b><u>Personnel</u></b>	<b><u>Term of Office</u></b>	<b><u>Surety</u></b>
<b><u>Superintendent</u></b> Stephen C. Bell	8/1/97-7/31/2000	(A)
<b><u>Treasurer</u></b> Michael Wade	Organizational Meeting 1999 to Organizational Meeting 2002	(B)

(A) Nationwide Mutual Insurance Company for \$20,000, for the period 1/1/99 to 1/1/2002.

(B) Nationwide Mutual Insurance Company for \$50,000, for the period 1/1/99 to 1/1/2003.

**SHELBY CITY SCHOOL DISTRICT**  
**RICHLAND COUNTY**  
**INDEX OF FUNDS**

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401 Auxiliary Service Funds  
416 Teacher Development Fund  
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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

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800-282-0370

Facsimile 614-728-7398

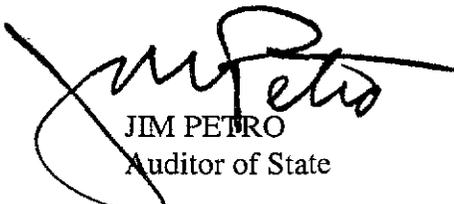
Board of Education  
Shelby City Schools

We have reviewed the Independent Auditor's Report of the Shelby City School District, Richland County, prepared by Reichert & Associates, CPA's, for the audit period July 1, 1998 through 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.

The School District made two payments for one invoice. The initial payment was made to the United States Chemical Company on June 8, 1998 and the subsequent payment was sent to the Powell Company, Ltd. on December 11, 1998 which resulted in an overpayment of \$6,159.68.

Based on these facts and in accordance with Ohio Rev. Code Section 117.28, a finding for recovery for monies due but not collected is hereby issued against Michael Wade, Shelby City School District Treasurer and the District's bonding company (Nationwide Mutual Insurance), for the amount of \$6,159.68, jointly and severally.

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 Shelby City School District is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

February 4, 2000

# REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street  
Findlay, Ohio 45840

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Shelby City Schools  
25 High School Avenue  
Shelby, Ohio 44875

We have audited the accompanying general-purpose financial statements of the Shelby City School District, as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Shelby City School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 17, 1999 on our consideration of the Shelby 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 general-purpose financial statements of the Shelby 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 Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

December 17, 1999  
Findlay, Ohio

Reichert & Associates, CPA's  
CERTIFIED PUBLIC ACCOUNTANTS

SHELBY CITY SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO

COMBINED BALANCED SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 1999

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Asset Account Group	General Long-Term Debt Account Group	Totals (Memorandum)
<b>Assets and Other Debits:</b>										
Equity in Pooled Cash and Cash Equivalents	\$2,668,190	\$452,248	\$13,632	\$300,537	\$58,340	\$2,079,589	\$321,917	\$0	\$0	\$5,884,463
Investments:										
In Segregated Accounts	0	0	0	0	0	0	25,650	0	0	25,650
Receivables:										
Taxes	7,022,844	0	0	0	0	0	0	0	0	7,022,844
Accounts	7,543	382	0	0	419	0	519	0	0	8,863
Intergovernmental	0	0	0	0	27,345	0	0	0	0	27,345
Accrued Interest	0	0	0	0	0	0	344	0	0	344
Interfund Receivable	57,527	0	0	0	0	0	0	0	0	57,527
Materials and Supplies Inventory	45,785	0	0	0	16,953	0	0	0	0	62,738
Prepaid Items	8,456	0	0	0	0	0	0	0	0	8,456
Restricted Assets:										
Equity in Pooled Cash and Cash Equivalents	379,555	0	0	0	0	0	0	0	0	379,555
Fixed Assets	0	0	0	0	187,886	1,443	0	10,224,193	0	10,413,322
Accumulated Depreciation	0	0	0	0	(98,196)	(776)	0	0	0	(98,971)
Other Debits:										
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	13,632	13,632
Provided from General Government Resources	0	0	0	0	0	0	0	0	3,296,292	3,296,292
<b>Total Assets and Other Debits</b>	<b>\$10,189,900</b>	<b>\$452,630</b>	<b>\$13,632</b>	<b>\$300,537</b>	<b>\$191,548</b>	<b>\$2,080,266</b>	<b>\$348,430</b>	<b>\$10,224,193</b>	<b>\$3,309,924</b>	<b>\$27,111,060</b>
<b>Liabilities:</b>										
Accounts Payable	\$78,845	\$23,436	\$0	\$0	\$341	\$0	\$2,034	\$0	\$0	\$104,656
Accrued Wages and Benefits	1,207,717	57,222	0	0	47,728	0	0	0	0	1,312,687
Compensated Absences Payable	21,070	0	0	0	6,155	0	0	0	1,574,568	1,601,793
Interfund Payable	0	7,527	0	0	50,000	0	0	0	0	57,527
Intergovernmental Payable	108,853	4,522	0	0	27,988	0	0	0	132,720	274,883
Deferred Revenue	5,786,022	0	0	0	13,650	0	0	0	0	5,799,672
Undistributed Monies	0	0	0	0	0	0	1,651	0	0	1,651
Due to Students	0	0	0	0	0	0	44,862	0	0	44,862
Notes Payable	0	0	0	0	0	0	0	0	112,280	112,280
Claims Payable	0	0	0	0	0	232,164	0	0	0	232,164
Capital Leases Payable	0	0	0	0	0	0	0	0	378	378
Energy Conservation Loan Payable	0	0	0	0	0	0	0	0	1,490,000	1,490,000
<b>Total Liabilities</b>	<b>7,203,307</b>	<b>92,707</b>	<b>0</b>	<b>0</b>	<b>145,852</b>	<b>232,164</b>	<b>48,547</b>	<b>0</b>	<b>3,309,924</b>	<b>11,032,511</b>
<b>Fund Equity and Other Credits:</b>										
Investment in General Fixed Assets	0	0	0	0	0	0	0	10,224,193	0	10,224,193
Unreserved:										
Retained Earnings:										
Unreserved	0	0	0	0	45,886	1,848,102	0	0	0	1,893,788
Fund Balances:										
Reserved:										
Reserved for Encumbrances	447,948	37,153	0	174,352	0	0	0	0	0	659,453
Reserved for Inventory	45,785	0	0	0	0	0	0	0	0	45,785
Reserved for Prepaid Items	8,456	0	0	0	0	0	0	0	0	8,456
Reserved for Advances	57,527	0	0	0	0	0	0	0	0	57,527
Reserved for Property Taxes	1,236,822	0	0	0	0	0	0	0	0	1,236,822
Reserved for Principal Endowment	0	0	0	0	0	0	194,559	0	0	194,559
Reserved for Scholarships	0	0	0	0	0	0	23,317	0	0	23,317
Reserved for Textbooks & Instructional Materials	118,367	0	0	0	0	0	0	0	0	118,367
Reserved for Capital Improvements	9,995	0	0	0	0	0	0	0	0	9,995
Reserved for Budget Stabilization	251,193	0	0	0	0	0	0	0	0	251,193
Unreserved:										
Unreserved, Undesignated	810,500	322,770	13,632	126,185	0	0	82,007	0	0	1,355,094
<b>Total Fund Equity and Other Credits</b>	<b>2,986,593</b>	<b>359,923</b>	<b>13,632</b>	<b>300,537</b>	<b>45,696</b>	<b>1,848,102</b>	<b>298,883</b>	<b>10,224,193</b>	<b>0</b>	<b>16,078,549</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$10,189,900</b>	<b>\$452,630</b>	<b>\$13,632</b>	<b>\$300,537</b>	<b>\$191,548</b>	<b>\$2,080,266</b>	<b>\$348,430</b>	<b>\$10,224,193</b>	<b>\$3,309,924</b>	<b>\$27,111,060</b>

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

**SHELBY CITY SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

	Governmental Fund Types			Capital Projects	Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		Expendable Trust	
<b>Revenues:</b>						
Intergovernmental	\$5,654,496	\$860,135	\$0	\$237,720	\$0	\$6,752,351
Interest	219,586	1,297	0	10,683	10,479	242,045
Tuition and Fees	59,384	0	0	0	0	59,384
Rent	6,930	0	0	0	0	6,930
Extracurricular Activities	0	215,706	0	0	0	215,706
Gifts and Donations	1,622	205,846	0	0	972	208,440
Property & Other Local Taxes	7,586,115	0	54,432	289,626	0	7,930,173
Miscellaneous	8,440	0	0	0	0	8,440
<b>Total Revenues</b>	<b>13,536,573</b>	<b>1,282,964</b>	<b>54,432</b>	<b>538,029</b>	<b>11,451</b>	<b>15,423,469</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	6,356,492	132,256	0	0	3,000	6,491,748
Special	817,785	262,733	0	0	0	1,080,518
Vocational	375,188	0	0	0	0	375,188
Other	20,697	0	0	0	0	20,697
<b>Support Services:</b>						
Pupils	605,678	81,618	0	0	0	687,296
Instructional Staff	529,859	117,047	0	0	0	646,906
Board of Education	23,869	0	0	0	0	23,869
Administration	1,093,635	6,178	0	0	0	1,099,813
Fiscal	405,680	99	0	0	0	405,779
Operation and Maintenance of Plant	1,223,828	0	0	0	1,544	1,225,372
Pupil Transportation	591,017	949	0	0	0	591,966
Central	5,644	5,000	0	0	0	10,644
Non-Instructional Services	0	139,779	0	0	0	139,779
Extracurricular activities	352,578	125,752	0	0	0	478,330
Capital Outlay	0	0	0	1,067,382	0	1,067,382
<b>Debt Service:</b>						
Debt Service - Principal	60,441	0	110,000	0	0	170,441
Debt Service - Interest	3,519	0	81,600	0	0	85,119
<b>Total Expenditures</b>	<b>12,466,910</b>	<b>871,411</b>	<b>191,600</b>	<b>1,067,382</b>	<b>4,544</b>	<b>14,600,847</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,070,663</b>	<b>411,573</b>	<b>(137,168)</b>	<b>(529,353)</b>	<b>6,907</b>	<b>822,622</b>
<b>Other Financing Sources and Uses</b>						
Operating Transfers In	13,071	24,671	301,600	102,169	0	441,511
Refund of Prior Year Expenditures	7,525	750	0	0	0	8,275
Other Financing Sources	0	5,480	0	0	0	5,480
Operating Transfers Out	(175,471)	(13,071)	(150,800)	(102,169)	0	(441,511)
<b>Total Other Financing Sources (Uses)</b>	<b>(154,875)</b>	<b>17,830</b>	<b>150,800</b>	<b>0</b>	<b>0</b>	<b>13,755</b>
<b>Excess of Rev and Other over Exp and Other...</b>	<b>915,788</b>	<b>429,403</b>	<b>13,632</b>	<b>(529,353)</b>	<b>6,907</b>	<b>836,377</b>
<b>Fund Balance at Beginning of Year</b>	<b>2,070,805</b>	<b>(69,480)</b>	<b>0</b>	<b>829,890</b>	<b>75,099</b>	<b>2,906,314</b>
<b>Fund Balance at End of Year</b>	<b>\$2,986,593</b>	<b>\$359,923</b>	<b>\$13,632</b>	<b>\$300,537</b>	<b>\$82,006</b>	<b>\$3,742,691</b>

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

SHELBY CITY SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999

	General			Special Revenue			Debt Service		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>									
Intergovernmental	\$4,925,582	\$5,654,496	\$728,914	\$460,954	\$860,136	\$399,182	0	0	\$0
Interest	157,869	219,558	61,689	421	1,297	876	0	0	0
Tuition and Fees	60,265	64,137	3,882	0	0	0	0	0	0
Rent	1,226	1,226	0	0	0	0	0	0	0
Extracurricular Activities	0	0	0	102,159	215,803	113,644	0	0	0
Gifts and Donations	1,622	1,622	0	205,836	205,846	10	0	0	0
Property & Other Local Taxes	6,835,052	6,835,052	0	0	0	0	40,800	54,432	13,632
Miscellaneous	10,305	10,666	361	0	0	0	0	0	0
<b>Total Revenues</b>	<b>11,991,911</b>	<b>12,786,757</b>	<b>794,846</b>	<b>769,370</b>	<b>1,283,082</b>	<b>513,712</b>	<b>40,800</b>	<b>54,432</b>	<b>13,632</b>
<b>Expenditures:</b>									
<b>Current:</b>									
<b>Instruction:</b>									
Regular	6,000,000	6,452,029	(452,029)	75,000	136,999	(61,999)	0	0	0
Special	800,000	859,988	(59,988)	200,000	265,238	(65,238)	0	0	0
Vocational	360,000	378,438	(18,438)	0	0	0	0	0	0
Other	40,000	21,216	18,784	0	0	0	0	0	0
<b>Support Services:</b>									
Pupils	575,000	593,299	(18,299)	60,000	82,939	(22,939)	0	0	0
Instructional Staff	735,000	748,311	(13,311)	80,000	119,882	(39,882)	0	0	0
Board of Education	30,000	31,773	(1,773)	0	0	0	0	0	0
Administration	1,050,000	1,100,024	(50,024)	6,000	6,357	(357)	0	0	0
Fiscal	400,000	410,600	(10,600)	89	99	(10)	0	0	0
Operation and Maintenance of Plant	1,030,000	1,241,081	(211,081)	0	0	0	0	0	0
Pupil Transportation	700,000	712,092	(12,092)	900	949	(49)	0	0	0
Central	4,522	5,644	(1,122)	4,600	5,000	(400)	0	0	0
Non-Instructional Services	0	0	0	135,000	147,552	(12,552)	0	0	0
Extracurricular activities	340,000	350,007	(10,007)	115,000	131,624	(16,624)	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0	0
<b>Debt Service:</b>									
Debt Service - Principal	0	0	0	0	0	0	40,800	40,800	0
Debt Service - interest	0	0	0	0	0	0	150,800	150,800	0
<b>Total Expenditures</b>	<b>12,064,522</b>	<b>12,904,502</b>	<b>(839,980)</b>	<b>676,589</b>	<b>898,639</b>	<b>(220,050)</b>	<b>191,600</b>	<b>191,600</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(72,611)</b>	<b>(117,745)</b>	<b>(45,134)</b>	<b>92,781</b>	<b>384,443</b>	<b>293,662</b>	<b>(150,800)</b>	<b>(137,168)</b>	<b>13,632</b>
<b>Other Financing Sources and Uses</b>									
Operating Transfers In	13,071	13,071	0	24,671	24,671	0	301,600	301,600	0
Refund of Prior Year Expenditures	8,417	8,417	0	750	750	0	0	0	0
Advances In	0	230,350	230,350	7,263	7,263	0	0	0	0
Other Financing Sources	0	0	0	4,500	5,480	980	0	0	0
Operating Transfers Out	(150,800)	(175,471)	(24,671)	(13,071)	(13,071)	0	(150,800)	(150,800)	0
Advances Out	0	(57,263)	(57,263)	(188,600)	(188,600)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(129,312)</b>	<b>89,102</b>	<b>(148,416)</b>	<b>(164,487)</b>	<b>(163,507)</b>	<b>980</b>	<b>150,800</b>	<b>150,800</b>	<b>0</b>
<b>Excess of Rev and Other over Exp and Other...</b>	<b>(201,823)</b>	<b>(68,641)</b>	<b>(103,282)</b>	<b>(71,706)</b>	<b>222,936</b>	<b>294,642</b>	<b>0</b>	<b>13,632</b>	<b>13,632</b>
Fund Balances at Beginning of Year	2,303,868	2,303,868	0	163,218	163,218	0	0	0	0
Prior Year Encumbrances Appropriated	316,130	316,130	0	15,795	15,795	0	0	0	0
<b>Fund Balance at end of Year</b>	<b>\$2,418,075</b>	<b>\$2,521,357</b>	<b>\$103,282</b>	<b>\$107,307</b>	<b>\$401,949</b>	<b>\$294,642</b>	<b>\$0</b>	<b>\$13,632</b>	<b>13,632</b>

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

Capital Projects			Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$1,074,581	\$237,720	(\$836,861)	\$0	\$0	\$0	\$6,461,117	\$6,752,352	\$291,235
43,760	10,683	(33,077)	10,268	10,479	211	212,318	242,017	29,699
0	0	0	0	0	0	60,265	84,137	3,882
0	0	0	0	0	0	1,226	1,226	0
0	0	0	0	0	0	102,159	215,803	113,644
0	0	0	972	972	0	208,430	208,440	10
310,294	310,294	0	0	0	0	7,186,146	7,199,778	13,632
0	0	0	0	0	0	10,305	10,666	361
<u>1,428,635</u>	<u>558,697</u>	<u>(869,938)</u>	<u>11,240</u>	<u>11,451</u>	<u>211</u>	<u>14,241,936</u>	<u>14,694,419</u>	<u>452,483</u>
0	0	0	3,000	3,000	0	6,078,000	6,592,028	(514,028)
0	0	0	0	0	0	1,000,000	1,125,226	(125,226)
0	0	0	0	0	0	360,000	378,438	(18,438)
0	0	0	0	0	0	40,000	21,216	18,784
0	0	0	0	0	0	635,000	676,238	(41,238)
0	0	0	0	0	0	315,000	868,193	(53,193)
0	0	0	0	0	0	30,000	31,773	(1,773)
0	0	0	0	0	0	1,056,000	1,106,381	(50,381)
0	0	0	0	0	0	400,089	410,699	(10,610)
0	0	0	1,544	1,544	0	1,031,544	1,242,625	(211,081)
0	0	0	0	0	0	700,900	713,041	(12,141)
0	0	0	0	0	0	9,122	10,644	(1,522)
0	0	0	0	0	0	135,000	147,552	(12,552)
0	0	0	0	0	0	455,000	481,631	(26,631)
44,048	1,622,045	(1,577,997)	0	0	0	44,048	1,622,045	(1,577,997)
0	0	0	0	0	0	40,800	40,800	0
0	0	0	0	0	0	150,800	150,800	0
<u>44,048</u>	<u>1,622,045</u>	<u>(1,577,997)</u>	<u>4,544</u>	<u>4,544</u>	<u>0</u>	<u>12,981,303</u>	<u>15,619,330</u>	<u>(2,638,027)</u>
<u>1,384,587</u>	<u>(1,063,348)</u>	<u>(2,447,935)</u>	<u>6,696</u>	<u>6,907</u>	<u>211</u>	<u>1,260,653</u>	<u>(924,911)</u>	<u>(2,185,564)</u>
102,169	102,169	0	0	0	0	441,511	441,511	0
0	0	0	0	0	0	9,167	9,167	0
0	0	0	0	0	0	7,263	237,813	230,350
(102,169)	(102,169)	0	0	0	0	4,500	5,480	980
(41,750)	(41,750)	0	0	0	0	(416,840)	(441,511)	(24,671)
(41,750)	(41,750)	0	0	0	0	(230,350)	(287,613)	(57,263)
1,342,837	(1,105,098)	(2,447,935)	6,696	6,907	211	(184,749)	(33,363)	149,386
(38,497)	(38,497)	0	74,067	74,067	0	1,075,904	(960,264)	(2,035,168)
1,268,179	1,268,179	0	1,033	1,033	0	2,502,656	2,502,656	0
<u>\$2,572,519</u>	<u>\$124,584</u>	<u>(\$2,447,935)</u>	<u>\$81,796</u>	<u>\$82,007</u>	<u>\$211</u>	<u>\$5,179,697</u>	<u>\$3,143,529</u>	<u>(\$2,036,168)</u>

**SHELBY CITY SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
AND NON-EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fudiciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Operating Revenues:</b>				
Sales	\$531,746	\$0	\$0	\$531,746
Charges for Services	0	977,769	0	977,769
Interest	0	0	5,308	5,308
Other Revenues	0	7,168	0	7,168
Contributions and Donations	0	0	130,000	130,000
<b>Total Operating Revenues</b>	<u>531,746</u>	<u>984,937</u>	<u>135,308</u>	<u>1,651,991</u>
<b>Operating Expenses:</b>				
Salaries	225,746	0	0	225,746
Fringe Benefits	164,605	0	0	164,605
Purchased Services	21,781	920,763	21	942,565
Materials and Supplies	384,308	7,573	0	391,881
Depreciation	12,131	61	0	12,192
Other	950	360	2,912	4,222
<b>Total Operating Expenses</b>	<u>809,521</u>	<u>928,757</u>	<u>2,933</u>	<u>1,741,211</u>
<b>Operating Income (Loss)</b>	<u>(277,775)</u>	<u>56,180</u>	<u>132,375</u>	<u>(89,220)</u>
<b>Non-Operating Revenues and Expenses:</b>				
Federal Donated Commodities	66,582	0	0	66,582
Interest	604	90,369	0	90,973
Federal and State Subsidies	181,712	0	0	181,712
Other	0	6,556	0	6,556
<b>Total Non-Operating Revenues and Expenses</b>	<u>248,898</u>	<u>96,925</u>	<u>0</u>	<u>345,823</u>
<b>Net Income (Loss)</b>	<u>(28,877)</u>	<u>153,105</u>	<u>132,375</u>	<u>256,603</u>
Retained Earnings at Beginning of Year	74,563	1,694,997	85,501	1,855,061
<b>Retained Earnings at End of Year</b>	<u>\$45,686</u>	<u>\$1,848,102</u>	<u>\$217,876</u>	<u>\$2,111,664</u>

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

SHELBY CITY SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Non-Expendable Trust	Memorandum Only
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Sales	\$531,556	\$0	\$0	\$531,556
Cash Received from Charges for Services	0	977,769	0	977,769
Cash Received from Contributions & Donations	0	0	130,000	130,000
Other Cash Receipts	0	7,168	0	7,168
Cash Payments to Suppliers for Goods & Service	(319,268)	(7,573)	0	(326,841)
Cash Payments for Contract Services	(21,781)	(781,144)	(21)	(802,946)
Cash Payments for Employee Services	(242,510)	0	0	(242,510)
Cash Payments for Employee Benefits	(141,040)	0	0	(141,040)
Other Cash Payments	(950)	(360)	(2,912)	(4,222)
Net Cash Provided by (Used for) Operating Activities	(193,993)	195,860	127,067	128,934
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Received	180,499	0	0	180,499
Nonoperating Revenues	0	6,556	0	6,556
Advances In	50,000	0	0	50,000
Net Cash Provided by (Used for) Noncapital Financing Activities	230,499	6,556	0	237,055
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	604	90,369	3,757	94,730
Net Cash Provided by (Used for) Investing Activities	604	90,369	3,757	94,730
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Payments for Capital Acquisitions	(3,060)	0	0	(3,060)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(3,060)	0	0	(3,060)
Net Increase (Decrease) in Cash and Cash Equivalents	34,050	292,785	130,824	457,659
Cash & Cash Equivalents at Beginning of Year	24,290	1,786,814	61,058	1,872,162
<b>Cash &amp; Cash Equivalents at End of Year</b>	<b>\$58,340</b>	<b>\$2,079,599</b>	<b>\$191,882</b>	<b>\$2,329,821</b>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income (Loss)	(\$277,775)	\$56,180	\$132,375	(\$89,220)
<b>Adjustments to Reconcile Operating Income (loss) To Net Cash Provided by (Used for) Operating Activities:</b>				
Depreciation	12,131	61	0	12,192
Donated Commodities Used During the Year	66,582	0	0	66,582
Adjustments to Capital Outlay	60	0	0	60
Non-Expendable Trust Fund Interest	0	0	(5,308)	(5,308)
<b>(Increase) Decrease in Assets:</b>				
Accounts Receivable	(190)	0	0	(190)
Material and Supplies Inventory	(2,760)	0	0	(2,760)
<b>Increase (Decrease) in Liabilities:</b>				
Compensated Absences Payable	20,068	0	0	20,068
Claims Payable	0	139,619	0	139,619
Intergovernmental Payable	(894)	0	0	(894)
Deferred Revenue	2,679	0	0	2,679
Accounts Payable	(1,521)	0	0	(1,521)
Accrued Wages and Benefits	(12,373)	0	0	(12,373)
Total Adjustments	83,782	139,680	(5,308)	218,154
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(\$193,993)</b>	<b>\$195,860</b>	<b>\$127,067</b>	<b>\$128,934</b>
Nonexpendable Trust Cash Reconciliation to Balance Sheet:				
Trust and Agency Funds per Balance Sheet			\$321,917	
Less: Agency Funds			(48,028)	
Less: Expendable Trust Fund			(82,007)	
Nonexpendable Trust Fund Cash Per Above			\$191,882	

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

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Shelby City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1854 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 72 square miles. It is located in Richland County, and includes all of the City of Shelby and portions of Sharon, Plymouth, Jackson, Bloominggrove and Franklin Townships. The School District is the 213<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 93 non-certificated employees and 171 certificated full-time teaching personnel who provide services to 2,471 students and other community members. The School District currently operates 6 instructional buildings, one administrative building, and one garage.

*Reporting Entity:*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization, or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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The School District is associated with three organizations, which are defined as a joint venture, a jointly governed organization, and an insurance purchasing pool. These organizations include the North Central Ohio Computer Cooperative, the Pioneer Career and Technology Center, a Vocational School District, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 18, 19, and 20 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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*Governmental Fund Types:*

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

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

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

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

*Proprietary Fund Types:*

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

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

*Internal Service Funds* - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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*Fiduciary Fund Types:*

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

*Account Groups:*

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

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

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

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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

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

The School District reports deferred revenues 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. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for rate determination.

*Estimated Resources:*

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

*Appropriations:*

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were enacted; however, none of these amendments were significant.

The budget amounts, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

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

During fiscal year 1999, investments were limited to common stock donated in 1980 to a non-expendable trust fund and STAR Ohio.

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in deferred compensation and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Carrying Amount	Fair Value
Common Stock	\$6,200	\$6,200	\$25,650
STAR Ohio		<u>6,169,134</u>	<u>6,169,134</u>
Total Investments		<u>\$6,175,334</u>	<u>\$6,194,784</u>

Net increase in the fair value of applicable investments during fiscal year 1999 per GASB Statement No. 31 is as follows:

Fair value at June 30, 1999	\$25,650
Fair value at June 30, 1998	<u>24,100</u>
Increase in fair value of investments during fiscal year 1999	<u>\$1,550</u>

A reconciliation between classifications of "Equity of pooled 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:

	Equity in pooled cash and cash equivalents	Investments
Per GASB Statement No. 9	\$6,299,668	\$0
Reclassifications:		
Common Stock	(25,650)	25,650
Investment in STAR Ohio	<u>(6,169,134)</u>	<u>6,169,134</u>
Per GASB Statement No. 3	<u>\$104,884</u>	<u>\$6,194,784</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110 percent of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

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School District maintains a capitalization threshold of five hundred dollars. The School District does not have infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years. In proprietary funds improvements are capitalized and depreciated over the remaining useful lives of the related asset, as applicable.

Depreciation of furniture and equipment in proprietary fund types is computed using the straight-line method over estimated useful lives of 5 to 20 years.

**H. Intergovernmental Revenues**

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

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

*Entitlements*

*General Fund*

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Auxiliary Services
- Education Management Information Systems
- Venture Capital
- Entry Year Programs
- Disadvantaged Pupil Impact Aid
- Textbooks/Instructional Materials Subsidy
- Title I

**Shelby City School District  
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Title VI  
Title VI-B  
Drug-Free Schools  
Eisenhower Grant  
Professional Development Block Grant

*Capital Projects Funds*

SchoolNet  
SchoolNet Plus

*Reimbursable Grants*

*General Fund*

Driver Education

*Proprietary Funds*

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 42 percent of the School District's operating revenue during the 1999 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 15 years of service with the School District and at least 45 years of age and for employees at least 55 years of age

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

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**M. Fund Balance Reserves**

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

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The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved. The reserve for endowments signifies the legal restrictions on the use of principal.

**N. Interfund Transactions**

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

**O. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Legal Compliance and Accountability**

At June 30, 1999, the School Net – Schools on the Move, Title VI-B, Title I, Title VI, and Drug Free School funds had deficit fund balances of \$1,780, \$3,216, \$11,344, \$452 and \$778, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Contrary to Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make an expenditure of money unless it has been appropriated. The following fund types had expenditures which exceed approved appropriations at June 30, 1999:

General Fund	\$ 864,652
Special Revenue	233,699
Capital Projects	1,536,248
Internal Service	84,067
Agency	<u>27,128</u>
	\$2,745,794

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$98,641)	\$222,936	\$13,632	(\$1,105,098)	\$6,907
Adjustments for:					
Revenue Accruals	749,816	(97)	0	(20,668)	0
Expenditure Accruals	(87,795)	(26,673)	0	380,311	0
Other Sources/Uses	(173,979)	181,337	0	41,750	0
Encumbrances	526,387	51,900	0	174,352	0
GAAP Basis	<u>\$915,788</u>	<u>\$429,403</u>	<u>\$13,632</u>	<u>(\$529,353)</u>	<u>\$6,907</u>

**Shelby City School District  
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**NOTE 5 – EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies held by the School 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 school district treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or 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 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 the 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

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the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. 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.

*Cash on Hand:* At fiscal year end, the School District had \$3,210 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$104,884 (including \$3,210 cash on hand) and the bank balance was \$580,079. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$380,079 was collateralized by securities specifically pledged by the financial institution to the School District.

*Investments:* The School District's investments are categorized below to give an indication of the level of holding risk assumed by the School District at fiscal year end. Category 1 includes

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investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in deferred compensation and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Carrying Amount	Fair Value
Common Stock	\$6,200	\$6,200	\$25,650
STAR Ohio		<u>6,169,134</u>	<u>6,169,134</u>
Total Investments		<u>\$6,175,334</u>	<u>\$6,194,784</u>

Net increase in the fair value of applicable investments during fiscal year 1999 per GASB Statement No. 31 is as follows:

Fair value at June 30, 1999	\$25,650
Fair value at June 30, 1998	<u>24,100</u>
Increase in fair value of investments during fiscal year 1999	<u>\$1,550</u>

A reconciliation between classifications of "Equity of pooled 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:

	Equity in pooled cash and cash equivalents	Investments
Per GASB Statement No. 9	\$6,299,668	\$0
Reclassifications:		
Common Stock	(25,650)	25,650
Investment in STAR Ohio	<u>(6,169,134)</u>	<u>6,169,134</u>
Per GASB Statement No. 3	<u>\$104,884</u>	<u>\$6,194,784</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110 percent of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

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**NOTE 6 - 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 School 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 35 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 88 percent of true value (with certain exceptions) and on real property at 35 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 25 percent of true value.

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$1,236,822 in the General Fund.

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

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	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$132,687,330	67%	\$134,346,690	68%
Public Utility	12,083,700	6%	12,034,680	6%
Tangible Personal Property	52,565,266	27%	52,187,970	26%
Total Assessed Value	\$197,336,296	100%	\$198,569,340	100%
Tax rate per \$1,000 of assessed valuation	\$50.60		\$50.60	

**NOTE 7 - RECEIVABLES**

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

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$7,022,844
Accounts	7,543
Special Revenue Fund	
Accounts	382
Enterprise Fund	
Accounts	419
Intergovernmental	27,345
Agency Fund	
Accounts	519
Trust Fund	
Accrued Interest	344
Total Receivables	<u>\$7,059,396</u>

**NOTE 8 - FIXED ASSETS**

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

Furniture and Equipment	\$189,129
Less: Accumulated Depreciation	<u>(99,971)</u>
Net Fixed Assets	<u>\$89,158</u>

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

Asset Category	Balance at 7/01/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$799,767	\$0	\$0	\$799,767
Buildings and Improvements	5,216,302	1,216,051	0	6,432,353
Furniture and Equipment	1,566,969	600,193	35,752	2,131,410
Vehicles	850,082	27,571	16,990	860,663
<b>Totals</b>	<u>\$8,433,120</u>	<u>\$1,843,815</u>	<u>\$52,742</u>	<u>\$10,224,193</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limit Liability</u>
Building and Contents-replacement cost	\$ 1,000	\$30,354,350
Inland Marine Coverage	100 - 1,000	1,285,334
Boiler and Machinery	1,500	1,000,000
Automobile Liability	250	1,000,000
Uninsured Motorists	250	500,000
General Liability		
Per occurrence		1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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Medical/surgical, life, and dental insurance is offered to employees through a self-insurance internal service fund. The claims liability of \$232,164 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$166,223	\$755,074	\$828,752	\$92,545
1999	\$92,545	\$916,426	\$776,807	\$232,164

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The Shelby City School 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. That 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 School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,130,853, \$1,097,084, and \$1,100,340, respectively; 93 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$78,945 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

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

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3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statement and required supplementary information. That report may be obtained by writing to 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 Shelby City School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion 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 \$305,165, \$274,388, and \$259,120, respectively; 56 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$132,954 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund

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was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as \$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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557, then adding the surcharge due as of June 30, 1998, as certified to your district by SERS.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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one-fourth days per month. Sick leave may be accumulated up to a maximum of 228 days for both classified and certified personnel. Upon retirement, payment is made from accrued, but unused sick leave credit for classified personnel at a rate on one-fourth (1/4) of the first 172 days and one-third (1/3) of any unused sick leave over 172 days. For certified personnel, payment is made for one-fourth (1/4) of any unused sick leave.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Trans-General Life Insurance Company.

**C. Deferred Compensation**

School District employees participate in a statewide deferred compensation plan that was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

All property rights purchased with the amounts of compensation deferred under the plan and deposited with the program, and all income attributable to the amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the School District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the School District's general creditors. Participants' rights under the plan are equal to those of general creditors of the School District in an amount equal to the fair market value of the deferred account for each participant. The plan agreement states that the School District and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking. As of June 30, 1999, the amount on deposit with the Ohio Public Employees Deferred Compensation Board was \$1,147,626, valued at market.

On September 1, 1998, the Ohio Public Employees' Deferred Compensation Plan established a trust. As a result as of that date, the District has no fiduciary responsibility for the funds on deposit, and during fiscal year 1999, these funds were be removed from the books of the School District.

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

During 1994, the School District entered into a capitalized lease for reproduction equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The reproduction equipment has been capitalized in the general fixed assets account group in the amount of \$18,619. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$3,981 in the governmental funds

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,		\$379
2000		
Less: Amount Representing Interest		3
Present Value of Net Minimum Lease Payments		\$376

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Balance at 07/01/98	Additions	Deductions	Balance at 06/30/99
Energy Conservation Bonds	\$1,600,000	\$0	\$110,000	\$1,490,000
Computer Purchase Loan	0	168,390	56,130	112,260
Capital Lease	4,687	0	4,311	376
Pension Obligation	104,393	28,327	0	132,720
Compensated Absences	924,097	650,471	0	1,574,568
Total Long-Term Obligations	\$2,633,177	\$847,188	\$170,441	\$3,309,924

*Energy Conservation Bond* – On June 1, 1998, the School District issued \$1,600,000 in bonds. The bonds were issued for a fifteen year period with final maturity at June 1, 2013. The bonds will be retired from the debt service fund. The interest rate of the bonds is 5.1 percent.

*Computer Purchase Loan* – On June 22, 1999, the School District purchased computers on credit from CIP Group.

The capital lease will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

The School District's voted legal debt margin was \$17,871,241 with an unvoted debt margin of \$198,569 at June 30, 1999.

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$110,000	\$75,990	\$185,990
2001	110,000	70,380	180,380
2002	110,000	64,770	174,770
2003	110,000	59,160	169,160
2004	105,000	53,550	158,550
2005-2009	525,000	187,425	712,425
2010-2014	420,000	53,550	473,550
<b>Total</b>	<b>\$1,490,000</b>	<b>\$564,825</b>	<b>\$2,054,825</b>

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	\$57,527	\$0
Special Revenue	0	7,527
Enterprise Funds	0	50,000
<b>Total All Funds</b>	<b>\$57,527</b>	<b>\$57,527</b>

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are disclosed in the general purpose financial statements as "Interfund Receivable/Payable."

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Shelby City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$497,942	\$33,804	\$531,746
Depreciation Expense	12,131	0	12,131
Operating (Loss)	(276,882)	(893)	(277,775)
Donated Commodities	66,582	0	66,582
Grants	181,712	0	181,712
Interest	604	0	604
Net (Loss)	(27,984)	(893)	(28,877)
Fixed Asset Additions	3,000	0	3,000
Net Working Capital	(25,434)	198	(25,236)
Total Assets	191,350	198	191,548
Total Liabilities	145,862	0	145,862
Total Equity	45,488	198	45,686

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$121,104	
Current Year Set-aside Requirement	257,989	144,540	130,089	
Current Year Offsets	0	0	0	
Qualifying Disbursements	<u>(139,622)</u>	<u>(134,545)</u>	<u>0</u>	
Total	<u>\$118,367</u>	<u>\$9,995</u>	<u>\$251,193</u>	
Cash Balance Carried Forward to FY 1999	<u>\$118,367</u>	<u>\$9,995</u>	<u>\$251,193</u>	
Amount restricted for Textbooks				\$118,367
Amount restricted for Capital Improvements				9,995
Amount restricted for Budget Stabilization				<u>251,193</u>
Total Restricted Assets				<u>\$379,555</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTE 18 - JOINT VENTURE WITHOUT EQUITY INTEREST**

*North Central Ohio Computer Cooperative* - The North Central Ohio Computer Cooperative (NCOCC) is a governmental joint venture consisting of 21 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 member district supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the NCOCC, all current members will share in the net obligations or asset liquidation in a ratio proportionate to their last twelve months' financial obligations. NCOCC is governed by a Board of Directors, consisting of superintendents of the member school districts. The degree of control exercised by any participating

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NCOCC as the 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 Jerry Payne, who serves as the Treasurer, at P. O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATION**

*Pioneer Joint Vocational School District* - The Pioneer Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Pioneer Career and Technology Center, a Vocational School District, Jerry A. Payne, who serves as Treasurer, at P.O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

**NOTE 20 - INSURANCE PURCHASING POOL**

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

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

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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**NOTE 21 - CONTINGENCIES**

**A. Grants**

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

**NOTE 22 - 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 that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$5,355,864 of school foundation support for its general fund. 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 the 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.

**NOTE 23 - YEAR 2000 ISSUE**

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

The school district has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll

**Shelby City School District  
Richland County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 1999**

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and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS). The District has several school buildings with power systems, which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and State of Ohio uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems. The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

**SHELBY CITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 (NON-CAAP BASIS)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<u>Passed Through Ohio Department of Education:</u>		
Education Consolidation & Improvement Act - Title I		
(572-9099)	84.010	C1-S1-99
(572-9098)	84.010	C1-S1-98
(572-9097)	84.010	C1-S1-97
<i>Handicapped Preschool &amp; School Programs (Special Education Cluster)</i>		
Title VI-B		
(516-9099)	84.027	6B-SF-99P
(516-9098)	84.027	6B-SF-98P
<i>Drug Free School Program</i>		
(584-9099)	84.186	DR-S1-99
(584-9098)	84.186	DR-S1-98
<i>Eisenhower Presidential Excel</i>		
(514-9099)	84.281	MS-S1-99
(514-9098)	84.281	MS-S1-98
<i>Innovative Education Program Strategy</i>		
(573-9099)	84.298	C2-S1-99
(573-9098)	84.298	C2-S1-98
<i>Comprehensive School Reform</i>		
(599-9099)	84.332	RF-S1-99
Total U.S. Department of Education		
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<u>Passed Through Ohio Department of Education:</u>		
<i>Child Nutrition Cluster:</i>		
National School Lunch Program		
(006-0000)	10.555	PU-00-99 PU-00-98 PU-00-99 PU-00-98
Food Distribution Program	10.550	NA
Total U.S. Department of Agriculture (Child Nutrition Cluster)		
Total Federal Financial Assistance		

<u>PROGRAM BALANCE 6/30/98</u>	<u>FEDERAL RECEIPTS</u>	<u>FEDERAL DISBURSEMENTS</u>	<u>ADVANCES IN (Out)</u>	<u>PROGRAM BALANCE 6/30/99</u>
-	190,261	182,428	-	7,833
138	145,713	30,651	(115,200)	-
<u>1,912</u>	-	<u>1,912</u>	-	-
2,050	335,974	214,991	(115,200)	7,833
-	104,232	98,984	-	5,248
<u>2</u>	<u>64,854</u>	<u>(8,544)</u>	<u>(73,400)</u>	-
2	169,086	90,440	(73,400)	5,248
-	12,461	14,580	-	(2,119)
<u>3,711</u>	-	<u>1,969</u>	-	<u>1,742</u>
3,711	12,461	16,549	-	(377)
-	9,276	9,276	-	-
<u>685</u>	-	<u>685</u>	-	-
685	9,276	9,961	-	-
-	9,540	9,796	-	(256)
<u>3,658</u>	-	<u>3,658</u>	-	-
3,658	9,540	13,454	-	(256)
-	52,900	14,306	-	38,594
10,106	589,237	359,701	(188,600)	51,042
-	36,021	36,021	-	-
-	12,798	12,798	-	-
-	90,678	90,678	-	-
-	32,499	32,499	-	-
-	<u>66,581</u>	<u>66,581</u>	-	-
-	238,577	238,577	-	-
<u>\$ 10,106</u>	<u>\$ 827,814</u>	<u>\$ 598,278</u>	<u>\$ (188,600)</u>	<u>\$ 51,042</u>

The accompanying notes are an integral part of this schedule.

**SHELBY CITY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(1) Significant Accounting Policies:

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

(2) 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.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

SHELBY CITY SCHOOL DISTRICT

RICHLAND 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: FEBRUARY 24, 2000

# REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street  
Findlay, Ohio 45840  
Phone 419-422-6131  
Fax 419-422-1372

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

Board of Education  
Shelby City School District

We have audited the financial statements of Shelby City School District as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Shelby City 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items 1999-01 through 1999-04.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 17, 1999.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shelby 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 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 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 in 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. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 1999-05.

We noted other matters involving the internal control over financial reporting that we have reported to management of Shelby City School District in a separate letter dated December 17, 1999.

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

December 17, 1999  
Findlay, Ohio

REICHERT & ASSOCIATES, CPA'S  
CERTIFIED PUBLIC ACCOUNTANTS

# REICHERT & ASSOCIATES, CPA'S

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Findlay, Ohio 45840

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Shelby City Schools

### Compliance

We have audited the compliance of Shelby City School 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 fiscal year ended June 30, 1999. Shelby City School District's major federal programs are 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 each of its major federal programs is the responsibility Shelby City School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Shelby City School 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 Shelby City School District's compliance with those requirements.

In our opinion, Shelby City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 1999.

### Internal Control Over Compliance

The management of Shelby City School 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 Shelby City School 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.

Shelby City School District  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
Page -2-

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 the 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. However, 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, 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.

December 17, 1999  
Findlay, Ohio

**REICHERT & ASSOCIATES, CPA'S**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**SHELBY CITY SCHOOL DISTRICT**  
**RICHLAND COUNTY**

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A -133 § .505  
 JUNE 30, 1999

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

***Finding Number***

**1999-1**

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make an expenditure of money unless it has been appropriated. The following funds had expenditures which exceeded approved appropriations at June 30, 1999:

General Fund	\$864,652
Principal's Fund (Special Revenue Fund Type)	5,417
Tech Buster Fund (Special Revenue Fund Type)	1,416
SERRC Grant Fund (Special Revenue Fund Type)	2,000
Venture Capital Grant Fund (Special Revenue Fund Type)	15,049
Athletics Fund (Special Revenue Fund Type)	34,630
Sacred Heart Fund (Special Revenue Fund Type)	1,197
Teacher Development Fund (Special Revenue Fund Type)	13,906
Disadvantage Pupil Impact Aid Fund (Special Revenue Fund Type)	361
SchoolNet Fund (Special Revenue Fund Type)	14,028
Textbook Fund (Special Revenue Fund Type)	34,996
Eisenhower Grant Fund (Special Revenue Fund Type)	7,567
Title VI-B Fund (Special Revenue Fund Type)	100,478
Parenting Skills Fund (Special Revenue Fund Type)	2,654
Permanent Improvement Fund (Capital Projects Fund Type)	1,473,738
SchoolNet Plus Fund (Capital Projects Fund Type)	62,510
Employee Health Liability Fund (Internal Service Fund Type)	84,067
Student Activities (Agency Fund Type)	27,128

***Finding Number***

**1999-2**

Ohio Rev. Code Section 5705.412 requires that no school district is to adopt any appropriation, make any contract, give any order to expend money or increase salary schedules during any school year without attaching a 412 certificate.

The District did not execute a 412 certificate when entering into contract for the purchase of a school bus and the increase of appropriations.

***Finding Number***

**1999-3**

Ohio Rev. Code Section 5705.38 states that an annual appropriation measure is to be passed by October 1 of each year.

The Board of Education passed the annual appropriation measure on October 5, 1998.

***Finding Number***

**1999-4**

An invoice of \$6,159.86 was paid to the Powell Company and United States Chemical. The Powell Company purchased United States Chemical, which was discovered after original payment was made to the United States Chemical. The Powell company also requested payment for the invoice. As a result, an overpayment had been made. Counsel has been retained by Shelby City Schools to collect the money. No payment has been collected in over a year.

Pursuant to Ohio Rev. Code Section 117.28 money is due to Shelby City Schools and has not been collected.

***Finding Number***

**1999-5**

The school district has not tested and remediated its power systems to determine if the school's operations are Y2K compliant. Systems may have to be remediated, and tested and validated. Management did not contact the District's utility companies to determine if power systems, such as, electric and gas will continue after year end.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

SHELBY CITY SCHOOL DISTRICT  
RICHLAND COUNTY

STATUS OF PRIOR AUDIT CITATIONS

The prior audit report for the period ending June 30, 1998 included various citations and recommendations. Each of these citations and recommendations have either been satisfied by correction, or are reflected in the appropriate section of this report or management letter.

<u>Citations</u>	<u>Status</u>	<u>Explanation if not fully Implemented</u>
1. Section 5705.41(B), Revised Code, states no subdivision shall make an expenditure of money unless it has been appropriated. Various funds had expenditures which exceeded approved appropriations at June 30, 1998.	Not corrected.	Management is continuing its monitoring of expenditures.
2. Section 5705.412, Rev. Code requires that no school district is to adopt any appropriation, make any contract, give any order to expend money or increase salary schedules during any school year without attaching a 412 certificate. The district did not execute a 412 certificate when entering into contracts for purchase of school bus and bleachers.	Improvement noted	412 certificate issued for original appropriations adopted by board.
3. Section 5705.38, Ohio Rev. Code states that an annual appropriation measure on October 1 of each year. Annual appropriation measure passed on November 18, 1997.	Improvement Noted	Annual appropriation measure passed October 5, 1998.
4. For fiscal year 1998, the Board of Education delegated its authority to amend appropriations at the level of control to the Treasurer. Actual amendments should have been approved by the Board prior to June 30, 1998.	Corrected	