

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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### Report of Independent Accountants

Board of Education  
Stow-Munroe Falls City School District  
Summit County  
4350 Allen Road  
Stow, Ohio 44224

To the Board of Education:

We have audited the accompanying general purpose financial statements of Stow-Munroe Falls City School District (the School District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 1999 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Federal Awards, Receipts and Expenditures 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.

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

Jim Petro  
Auditor of State

December 22, 1999

**Stow-Munroe Falls City School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 1999*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Assets and Other Debits</i></b>				
<b><i>Assets</i></b>				
Equity in Pooled Cash and Cash Equivalents	\$8,892,361	\$399,318	\$698,765	\$540,580
Cash and Cash Equivalents With Fiscal Agent	0	0	11,181	0
Receivables:				
Taxes	21,478,151	0	1,317,965	0
Accounts	19,597	8,531	0	0
Accrued Interest	0	0	0	0
Intergovernmental	2,150	0	0	0
Interfund	2,286	320	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	10,295	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	480,531	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<b><i>Other Debits</i></b>				
Amount Available in Debt Service Fund for Retirement of General Obligation	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b><i>Total Assets and Other Debits</i></b>	<b><u>\$30,885,371</u></b>	<b><u>\$408,169</u></b>	<b><u>\$2,027,911</u></b>	<b><u>\$540,580</u></b>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$171,926	\$128,096	\$0	\$0	\$10,831,046
0	0	0	0	11,181
0	0	0	0	22,796,116
1,664	0	0	0	29,792
18,829	0	0	0	18,829
0	0	0	0	2,150
0	0	0	0	2,606
26,691	0	0	0	26,691
0	0	0	0	10,295
0	0	0	0	480,531
13,426	0	36,574,859	0	36,588,285
0	0	0	721,551	721,551
0	0	0	13,807,582	13,807,582
<u>\$232,536</u>	<u>\$128,096</u>	<u>\$36,574,859</u>	<u>\$14,529,133</u>	<u>\$85,326,655</u>

(continued)

**Stow-Munroe Falls City School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*June 30, 1999*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$127,910	\$14,955	\$0	\$1,024
Accrued Wages	3,153,447	25,317	0	240
Compensated Absences Payable	23,839	0	0	0
Interfund Payable	320	2,286	0	0
Intergovernmental Payable	654,242	8,004	0	2
Deferred Revenue	21,111,850	0	1,295,179	0
Matured Bonds Payable	0	0	10,000	0
Matured Interest Payable	0	0	1,181	0
Undistributed Monies	0	0	0	0
Capital Lease Payable	0	0	0	0
Due to Students	0	0	0	0
Energy Conservation Note Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>25,071,608</b>	<b>50,562</b>	<b>1,306,360</b>	<b>1,266</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	1,042,647	59,103	0	128,798
Reserved for Inventory	10,295	0	0	0
Reserved for Property Taxes	366,301	0	22,786	0
Reserved for Budget Stabilization	480,531	0	0	0
Unreserved, Undesignated	3,913,989	298,504	698,765	410,516
<b>Total Fund Equity and Other Credits</b>	<b>5,813,763</b>	<b>357,607</b>	<b>721,551</b>	<b>539,314</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$30,885,371</b>	<b>\$408,169</b>	<b>\$2,027,911</b>	<b>\$540,580</b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$71,056	\$0	\$0	\$0	\$214,945
4,873	0	0	0	3,183,877
29,873	0	0	2,496,669	2,550,381
0	0	0	0	2,606
43,787	0	0	313,847	1,019,882
23,252	0	0	0	22,430,281
0	0	0	0	10,000
0	0	0	0	1,181
0	34,336	0	0	34,336
0	0	0	554,617	554,617
0	93,760	0	0	93,760
0	0	0	2,544,000	2,544,000
0	0	0	8,620,000	8,620,000
<u>172,841</u>	<u>128,096</u>	<u>0</u>	<u>14,529,133</u>	<u>41,259,866</u>
0	0	36,574,859	0	36,574,859
249,894	0	0	0	249,894
(190,199)	0	0	0	(190,199)
0	0	0	0	1,230,548
0	0	0	0	10,295
0	0	0	0	389,087
0	0	0	0	480,531
0	0	0	0	5,321,774
<u>59,695</u>	<u>0</u>	<u>36,574,859</u>	<u>0</u>	<u>44,066,789</u>
<u>\$232,536</u>	<u>\$128,096</u>	<u>\$36,574,859</u>	<u>\$14,529,133</u>	<u>\$85,326,655</u>

**Stow-Munroe Falls City School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999*

	General	Special Revenue
<b>Revenues</b>		
Taxes	\$20,774,238	\$0
Intergovernmental	14,026,872	950,020
Interest	705,127	5,005
Tuition and Fees	171,809	0
Extracurricular Activities	80,708	388,475
Contributions and Donations	15,000	16,319
Charges for Services	135	0
Rentals	27,160	0
Miscellaneous	148,574	1,100
<i>Total Revenues</i>	<u>35,949,623</u>	<u>1,360,919</u>
<b>Expenditures</b>		
Current:		
Instruction:		
Regular	19,506,505	211,118
Special	2,164,007	232,919
Vocational	858,440	51,345
Adult Continuing	555	0
Support Services:		
Pupils	1,564,075	256,320
Instructional Staff	1,281,512	50,077
Board of Education	69,484	10,044
Administration	1,719,200	78,330
Fiscal	373,355	11,230
Business	383,175	0
Operation and Maintenance of Plant	3,113,725	4,701
Pupil Transportation	1,547,427	0
Central	290,826	3,103
Operation of Non-Instructional Services	0	369,756
Extracurricular Activities	497,740	180,409
Capital Outlay	584,910	0
Debt Service:		
Principal Retirement	271,199	0
Interest and Fiscal Charges	58,718	0
<i>Total Expenditures</i>	<u>34,284,853</u>	<u>1,459,353</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,664,770</u>	<u>(98,434)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds from Sale of Notes	0	0
Operating Transfers In	1,856	21,364
Proceeds from Sale of Fixed Assets	1,475	0
Operating Transfers Out	(603,649)	(16,773)
<i>Total Other Financing Sources (Uses)</i>	<u>(600,318)</u>	<u>4,591</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>1,064,452</u>	<u>(93,843)</u>
<i>Fund Balances Beginning of Year</i>	4,751,342	451,449
Decrease in Reserve for Inventory	(2,031)	0
<i>Fund Balances End of Year</i>	<u>\$5,813,763</u>	<u>\$357,607</u>

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Totals (Memorandum Only)
\$1,181,057	\$0	\$21,955,295
143,912	0	15,120,804
0	23,704	733,836
0	0	171,809
0	0	469,183
0	0	31,319
0	0	135
0	14,000	41,160
0	0	149,674
<u>1,324,969</u>	<u>37,704</u>	<u>38,673,215</u>
0	0	19,717,623
0	0	2,396,926
0	0	909,785
0	0	555
0	0	1,820,395
0	0	1,331,589
0	0	79,528
0	0	1,797,530
19,626	0	404,211
0	0	383,175
0	0	3,118,426
0	0	1,547,427
0	0	293,929
0	0	369,756
0	0	678,149
0	1,357,598	1,942,508
3,836,000	0	4,107,199
795,736	0	854,454
<u>4,651,362</u>	<u>1,357,598</u>	<u>41,753,165</u>
<u>(3,326,393)</u>	<u>(1,319,894)</u>	<u>(3,079,950)</u>
2,544,000	0	2,544,000
575,563	21,413	620,196
0	0	1,475
0	0	(620,422)
<u>3,119,563</u>	<u>21,413</u>	<u>2,545,249</u>
(206,830)	(1,298,481)	(534,701)
928,380	1,837,795	7,968,966
0	0	(2,031)
<u>\$721,551</u>	<u>\$539,314</u>	<u>\$7,432,235</u>

**Stow-Munroe Falls City School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	General		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Taxes	\$19,868,348	\$20,970,234	\$1,101,886
Intergovernmental	13,321,372	14,057,391	736,019
Interest	720,969	720,969	0
Tuition and Fees	162,969	162,969	0
Extracurricular Activities	80,708	80,708	0
Contributions and Donations	15,000	15,000	0
Charges for Services	135	135	0
Rentals	31,927	31,927	0
Miscellaneous	149,349	149,349	0
<i>Total Revenues</i>	<u>34,350,777</u>	<u>36,188,682</u>	<u>1,837,905</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	19,394,702	19,440,704	(46,002)
Special	2,142,508	2,142,508	0
Vocational	884,435	884,435	0
Adult/Continuing	555	555	0
Support Services:			
Pupils	1,549,166	1,549,166	0
Instructional Staff	1,236,460	1,236,458	2
Board of Education	75,371	75,371	0
Administration	1,698,749	1,698,749	0
Fiscal	668,501	668,501	0
Business	365,290	365,290	0
Operation and Maintenance of Plant	2,954,152	2,954,152	0
Pupil Transportation	2,019,501	2,019,501	0
Central	286,623	286,623	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	432,285	432,285	0
Capital Outlay	987,931	987,931	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>34,696,229</u>	<u>34,742,229</u>	<u>(46,000)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(345,452)</u>	<u>1,446,453</u>	<u>1,791,905</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds From Sale of Notes	0	0	0
Advances In	13,349	13,349	0
Operating Transfers In	1,856	1,856	0
Advances Out	(2,286)	(2,286)	0
Proceeds From Sale of Fixed Assets	1,475	1,475	0
Operating Transfers Out	(603,649)	(603,649)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(589,255)</u>	<u>(589,255)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(934,707)</u>	<u>857,198</u>	<u>1,791,905</u>
<i>Fund Balances Beginning of Year</i>	<u>7,187,977</u>	<u>7,187,977</u>	<u>0</u>
Prior Year Encumbrances Appropriated	234,392	234,392	0
<i>Fund Balances End of Year</i>	<u>\$6,487,662</u>	<u>\$8,279,567</u>	<u>\$1,791,905</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,186,761	\$1,186,761	\$0
896,734	918,001	21,267	143,912	143,912	0
5,005	5,005	0	0	0	0
0	0	0	0	0	0
372,032	391,315	19,283	0	0	0
15,008	16,319	1,311	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
900	900	0	0	0	0
<u>1,289,679</u>	<u>1,331,540</u>	<u>41,861</u>	<u>1,330,673</u>	<u>1,330,673</u>	<u>0</u>
216,106	216,106	0	0	0	0
234,135	234,135	0	0	0	0
49,755	49,755	0	0	0	0
0	0	0	0	0	0
261,542	261,542	0	0	0	0
45,020	45,020	0	0	0	0
10,044	10,044	0	0	0	0
78,330	78,330	0	0	0	0
11,230	11,230	0	19,625	19,625	0
0	0	0	0	0	0
18,898	18,898	0	0	0	0
0	0	0	0	0	0
3,103	3,103	0	0	0	0
394,146	394,146	0	0	0	0
200,167	200,167	0	0	0	0
0	0	0	0	0	0
0	0	0	3,836,000	3,836,000	0
0	0	0	795,736	795,736	0
<u>1,522,476</u>	<u>1,522,476</u>	<u>0</u>	<u>4,651,361</u>	<u>4,651,361</u>	<u>0</u>
<u>(232,797)</u>	<u>(190,936)</u>	<u>41,861</u>	<u>(3,320,688)</u>	<u>(3,320,688)</u>	<u>0</u>
0	0	0	2,544,000	2,544,000	0
2,286	2,286	0	0	0	0
21,364	21,364	0	575,563	575,563	0
(13,349)	(13,349)	0	0	0	0
0	0	0	0	0	0
<u>(16,773)</u>	<u>(16,773)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(6,472)</u>	<u>(6,472)</u>	<u>0</u>	<u>3,119,563</u>	<u>3,119,563</u>	<u>0</u>
<u>(239,269)</u>	<u>(197,408)</u>	<u>41,861</u>	<u>(201,125)</u>	<u>(201,125)</u>	<u>0</u>
426,138	426,138	0	899,890	899,890	0
71,312	71,312	0	0	0	0
<u>\$258,181</u>	<u>\$300,042</u>	<u>\$41,861</u>	<u>\$698,765</u>	<u>\$698,765</u>	<u>\$0</u>

(continued)

**Stow-Munroe Falls City School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types (continued)  
For the Fiscal Year Ended June 30, 1999*

	Capital Projects		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Taxes	\$0	\$0	\$0
Intergovernmental	0	0	0
Interest	1,780	23,704	21,924
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Charges for Services	0	0	0
Rentals	14,000	14,000	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>15,780</b>	<b>37,704</b>	<b>21,924</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	1,486,171	1,486,171	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>1,486,171</b>	<b>1,486,171</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,470,391)</b>	<b>(1,448,467)</b>	<b>21,924</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds From Sale of Notes	0	0	0
Advances In	0	0	0
Operating Transfers In	21,413	21,413	0
Advances Out	0	0	0
Proceeds From Sale of Fixed Assets	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>21,413</b>	<b>21,413</b>	<b>0</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(1,448,978)</b>	<b>(1,427,054)</b>	<b>21,924</b>
<b>Fund Balances Beginning of Year</b>	<b>870,871</b>	<b>870,871</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>966,941</b>	<b>966,941</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>\$388,834</b>	<b>\$410,758</b>	<b>\$21,924</b>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$21,055,109	\$22,156,995	\$1,101,886
14,362,018	15,119,304	757,286
727,754	749,678	21,924
162,969	162,969	0
452,740	472,023	19,283
30,008	31,319	1,311
135	135	0
45,927	45,927	0
150,249	150,249	0
<u>36,986,909</u>	<u>38,888,599</u>	<u>1,901,690</u>
19,610,808	19,656,810	(46,002)
2,376,643	2,376,643	0
934,190	934,190	0
555	555	0
1,810,708	1,810,708	0
1,281,480	1,281,478	2
85,415	85,415	0
1,777,079	1,777,079	0
699,356	699,356	0
365,290	365,290	0
2,973,050	2,973,050	0
2,019,501	2,019,501	0
289,726	289,726	0
394,146	394,146	0
632,452	632,452	0
2,474,102	2,474,102	0
3,836,000	3,836,000	0
795,736	795,736	0
<u>42,356,237</u>	<u>42,402,237</u>	<u>(46,000)</u>
<u>(5,369,328)</u>	<u>(3,513,638)</u>	<u>1,855,690</u>
2,544,000	2,544,000	0
15,635	15,635	0
620,196	620,196	0
(15,635)	(15,635)	0
1,475	1,475	0
(620,422)	(620,422)	0
<u>2,545,249</u>	<u>2,545,249</u>	<u>0</u>
(2,824,079)	(968,389)	1,855,690
9,384,876	9,384,876	0
<u>1,272,645</u>	<u>1,272,645</u>	<u>0</u>
<u>\$7,833,442</u>	<u>\$9,689,132</u>	<u>\$1,855,690</u>

**Stow-Munroe Falls City School District**  
*Combined Statement of Revenues, Expenses  
and Changes in Fund Equity  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999*

	<u>Enterprise</u>
<b>Operating Revenues</b>	
Sales	\$1,066,866
<b>Operating Expenses</b>	
Salaries and Wages	349,716
Fringe Benefits	121,579
Purchased Services	223,690
Materials and Supplies	59,758
Cost of Sales	480,897
Depreciation	15,372
Other	77,055
<i>Total Operating Expenses</i>	<u>1,328,067</u>
<i>Operating Loss</i>	<u>(261,201)</u>
<b>Non-Operating Revenues</b>	
Donated Commodities	66,536
Interest	3,053
Operating Grants	150,014
Other	21
<i>Total Non-Operating Revenues</i>	<u>219,624</u>
<i>Income Before Operating Transfers</i>	(41,577)
Operating Transfers In	226
<i>Net Income</i>	(41,351)
<i>Retained Earnings (Deficit) Beginning of Year</i>	<u>(148,848)</u>
<i>Retained Earnings (Deficit) End of Year</i>	(190,199)
<i>Contributed Capital Beginning and End of Year</i>	<u>249,894</u>
<i>Total Fund Equity End of Year</i>	<u>\$59,695</u>

See accompanying notes to the general purpose financial statements

**Stow-Munroe Falls City School District**  
*Combined Statement of Revenues, Expenses*  
*and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Proprietary Fund Type*  
*For the Fiscal Year Ended June 30, 1999*

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Sales	\$1,032,623	\$1,069,024	\$36,401
Operating Grants	154,077	154,077	0
Interest	3,053	3,053	0
Other	21	21	0
<i>Total Revenues</i>	<u>1,189,774</u>	<u>1,226,175</u>	<u>36,401</u>
<b>Expenses</b>			
Salaries and Wages	349,716	349,716	0
Fringe Benefits	113,929	113,929	0
Purchased Services	153,345	153,345	0
Materials and Supplies	459,714	459,714	0
Other	78,418	78,418	0
<i>Total Expenses</i>	<u>1,155,122</u>	<u>1,155,122</u>	<u>0</u>
<i>Excess of Revenues Over Expenses</i>	34,652	71,053	36,401
Operating Transfers In	<u>226</u>	<u>226</u>	<u>0</u>
<i>Excess of Revenues And Operating Transfers In Over Expenses</i>	34,878	71,279	36,401
<i>Fund Equity Beginning of Year</i>	85,447	85,447	0
Prior Year Encumbrances Appropriated	<u>13,837</u>	<u>13,837</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$134,162</u>	<u>\$170,563</u>	<u>\$36,401</u>

See accompanying notes to the general purpose financial statements

**Stow-Munroe Falls City School District**  
*Combined Statement of Cash Flows*  
*Proprietary Fund Type*  
For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<b><i>Increase in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,069,024
Cash Payments for Goods and Services	(613,059)
Cash Payments to Employees for Services	(349,716)
Cash Payments for Employee Benefits	(113,929)
Cash Payments for Other Expenses	(77,055)
Other Non-Operating Revenues	21
	<u>21</u>
<i>Net Cash Used for Operating Activities</i>	<u>(84,714)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	154,077
Operating Transfers In	226
	<u>154,303</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>154,303</u>
<b>Cash Flows from Investing Activities</b>	
Interest	3,053
	<u>3,053</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<u>72,642</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>99,284</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$171,926</u>
	<u>(continued)</u>

**Stow-Munroe Falls City School District**  
*Statement of Cash Flows*  
*Proprietary Fund Type (continued)*  
*For the Fiscal Year Ended June 30, 1999*

	<u>Enterprise</u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
<i>Operating Loss</i>	<u>(261,201)</u>
<b>Adjustments:</b>	
Other Non Operating Revenue	21
Depreciation	15,372
Donated Commodities Used During Year	66,536
Decrease/(Increase) in Assets:	
Accounts Receivable	2,158
Inventory Held for Resale	14,510
Increase/(Decrease) in Liabilities:	
Accounts Payable	70,951
Accrued Wages	4,672
Compensated Absences Payable	564
Intergovernmental Payable	<u>1,703</u>
<i>Total Adjustments</i>	<u>176,487</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$84,714)</u></u>

See accompanying notes to the general purpose financial statements

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 1 - Description of the School District and Reporting Entity**

Stow-Munroe Falls City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 284 classified and 465 certificated full time teaching personnel who provide services to 6,076 students and other community members.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements 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 School District, this includes general operations, food service, preschool 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 for the organization. The School District has no component units.

The following activities are included within the reporting entity.

*Non-Public Schools* - Within the School District boundaries, Holy Family School is operated through the Cleveland Catholic Diocese. Current State legislation provides funding to this non-public school. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

*Cities of Stow and Munroe Falls* - The city governments of Stow and Munroe Falls are a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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*Parent Teacher Association* - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

The School District is associated with two jointly governed organizations, one related organization and a public entity risk pool. These organizations are presented in Note 8 to the general purpose financial statements. These organizations are:

*Jointly Governed Organizations*

North East Ohio Network for Educational Technology  
Vocational Compact

*Related Organization*

Stow-Munroe Falls Public Library

*Public Entity Risk Pool*

Stark County Council of Governments Health Benefits Program

## **Note 2 - Summary of Significant Accounting Policies**

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

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

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

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

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

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

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**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 for major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Funds** Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

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

**Enterprise 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.

**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. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups** To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations 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 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 funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

The modified accrual basis of accounting is followed for governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after 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. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred. The fair value of donated commodities used during the fiscal year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Data**

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

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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budgetary modifications at this level may only be made by resolution of the Board of Education.

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Summit 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 Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

***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 is enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations 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 legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds consistent with statutory provisions.

***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 non-GAAP 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 and reported in the notes to the financial statements for proprietary funds.

***Lapsing of Appropriations*** At the close of each 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.

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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***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 the 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. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agent" and represents deposits.

During fiscal year 1999, investments were limited to repurchase agreements and non-negotiable certificates of deposit. Nonparticipating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$705,127, which includes \$167,849 assigned from other School District funds.

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

***E. Inventory***

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

***F. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve. The reserve for budget stabilization also includes a refund received in the fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 21 for the calculations of the year-end restricted asset balances and the corresponding fund balances reserves.

***G. Fixed Assets and Depreciation***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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School District does not possess any infrastructure.

Improvements are capitalized. 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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture, and equipment and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to fifteen years. Vehicles are depreciated using the straight-line method over a useful life of five 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 became measurable.

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

*Entitlements*

*General Fund*

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

*Special Revenue Fund*

- Textbook and Instructional Material

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Title VIB
- Vocational Education
- Title I
- Title VI
- Drug Free Schools
- Preschool
- Educational Management Information System
- Professional Development
- Auxiliary Services
- Eisenhower Grant
- Venture Capital
- Industrial Training
- Martha Holden Jennings Foundation
- High School Technology Preparation Academy
- Technology Work Experience Challenge
- High School Theatre and Performing Arts Academy
- Project Life
- VEPD
- School to Work

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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School Health Project  
Prevention Grant Program  
*Capital Projects Fund*  
School NetPlus  
*Reimbursable Grants*  
*General Fund*  
Driver Education Reimbursement  
*Enterprise Funds*  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to thirty-eight percent of governmental fund revenue during the 1999 fiscal year.

***I. Short-term Interfund Assets/Liabilities***

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

***J. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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. Contributed Capital***

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during fiscal year 1999.

***L. 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, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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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 expendable available financial resources. Payments made more than sixty days after fiscal year end are considered not to have been paid with current available financial resources. Bonds, capital leases and bond anticipation notes refinanced on a long-term basis are recognized as a liability of the general long-term obligations account group until due.

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

***M. Interfund Transactions***

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***N. Fund Balance Reserves***

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation for expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***O. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***P. 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.

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 3 - Accountability and Compliance**

**A. Fund Deficits**

The following funds had deficit fund balances/retained earnings at June 30, 1999:

	<u>Deficit Fund Balance/ Retained Earnings</u>
Special Revenue:	
Drug Free Grant	\$128
Preschool Grant	213
Enterprise Fund	
Food Service	190,199

The deficit in the Drug Free and Preschool Grant Special Revenue funds resulted from expenditures made in excess of available revenues. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The Food Service Enterprise fund concluded fiscal year 1999 with retained earnings of (\$190,199). Management is analyzing the food service operations to determine appropriate action to alleviate the deficit. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

**B. Legal Compliance**

Contrary to Section 5705.41(D), Ohio Revised Code, the School District entered into commitments prior to certification by the Treasurer that the funds required to pay for the commitments were appropriated and in the School District treasury or in the process of being collected and free from any previous encumbrances.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type 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:

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

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reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).

4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash is not reported by the School District on the operating statements (Budget Basis), but is reported on the GAAP basis operating statements.

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$1,064,452	(\$93,843)	(\$206,830)	(\$1,298,481)
Adjustments for Revenue Accruals	208,540	1,139	5,705	0
Advances In	13,349	2,286	0	0
Adjustments for Expenditure Accruals	666,468	5,635	0	1,249
Advances Out	(2,286)	(13,349)	0	0
Adjustment for Encumbrances	(1,093,325)	(99,276)	0	(129,822)
Budget Basis	<u>\$857,198</u>	<u>(\$197,408)</u>	<u>(\$201,125)</u>	<u>(\$1,427,054)</u>

**Net Income/Excess of Revenues and Operating Transfers  
Over Expenses  
Proprietary Fund Type**

	Enterprise
GAAP Basis	(\$41,351)
Adjustment for Revenue Accruals	(60,315)
Adjustments for Expense Accruals	158,936
Depreciation Expense	15,372
Adjustment for Encumbrances	(1,363)
Budget Basis	<u>\$71,279</u>

**Note 5 - Deposits and Investment**

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 withdrawable

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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 accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling

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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 qualified trustee 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 \$1,050 in 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 No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$8,942,758 and the bank balance was \$9,407,768. Of the bank balance, \$105,050 was covered by federal depository insurance and \$9,302,718 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$2,380,000	\$2,380,000	\$2,380,000

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and cash equivalents, and investments on the combined financial statements and the classifications of deposit and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$11,322,758	\$0
Cash on Hand	(1,050)	0
Repurchase Agreement	(2,380,000)	2,380,000
GASB Statement No. 3	\$8,941,708	\$2,380,000

**Stow-Munroe Falls City School District**  
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**Note 6 - Property Taxes**

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

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

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

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

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

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$599,868,160	90.15%	\$615,936,920	89.54 %
Public Utility Personal	16,775,920	2.52	16,828,840	2.45
Tangible Personal Property	48,802,932	7.33	55,060,326	8.01
<b>Total</b>	<b>\$665,447,012</b>	<b>100.00 %</b>	<b>\$687,826,086</b>	<b>100.00 %</b>

Tax rate per \$1,000 of assessed valuation	\$47.74	\$48.53
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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 late payments 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 Summit County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the

**Stow-Munroe Falls City School District**  
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School District. The County Auditor periodically remit to the School District its portion of taxes. Accrued property taxes receivable represented delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current 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 \$389,087 and is recognized as revenue. \$366,301 was available to the general fund and \$22,786 to the debt service fund.

**Note 7 - Receivables**

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition), accrued interest, 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 year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amount</u>
General Fund:	
Tuition and Fees	\$2,150

**Note 8 - Jointly Governed Organizations, Related Organization and Public Entity Risk Pool**

**A. Jointly Governed Organizations**

*North East Ohio Network for Educational Technology* - The North East Ohio Network for Educational Technology (NEONET) is a jointly governed organization among sixteen school districts and the Summit County Educational Service Center, and was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEONET including budgeting, appropriating, contracting and designating management. The seven member board of directors consists of four superintendents, two members of the treasurers' committee and one member of the student services subcommittee. All revenues are generated from an annual fee of \$7.70 per student to participating districts and State funding. The School District paid \$46,678 to NEONET during fiscal year 1999. The Summit County Educational Service Center is the fiscal agent for NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

*Vocational Compact* - The Vocational Compact is a jointly governed organization to provide for the vocational and special education needs of the students of six participating school districts. The six member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the six districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Cuyahoga Falls City School

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District serves as the fiscal agent for this agreement, collecting and distributing payments. All revenues are generated from charges for services. The School District paid \$29,193 to the Vocational Compact for services during fiscal year 1999.

**B. Related Organization**

*Stow-Munroe Falls Public Library* - The Stow-Munroe Falls Public Library is a related organization to the School District. The School District's Board of Education is responsible for appointing all the trustees of the Stow-Munroe Falls Public Library; however, the School District's Board of Education cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the School District. Although the School District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 1999.

**C. Public Entity Risk Pool**

The Stark County Council of Governments Health Benefits Program is a shared risk pool, with participants from Stark, Summit and Portage Counties. The consortium is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 2100 38<sup>th</sup> Street, Canton, Ohio 44709.

**Note 9 - Fixed Assets**

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

Furniture and Equipment	\$280,846
Vehicles	900
Less: Accumulated Depreciation	<u>(268,320)</u>
Net Fixed Assets	<u>\$13,426</u>

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

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Improvements	\$1,714,193	\$0	\$0	\$1,714,193
Buildings	26,448,014	1,584,147	0	28,032,161
Vehicles	2,089,175	421,854	0	2,511,029
Furniture and Equipment	3,312,774	1,004,702	0	4,317,476
Construction in Progress	313,373	785,186	(1,098,559)	0
Total General Fixed Assets	<u>\$33,877,529</u>	<u>\$3,795,889</u>	<u>(\$1,098,559)</u>	<u>\$36,574,859</u>

**Stow-Munroe Falls City School District**  
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**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Crum Forester for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Crum Forester Insurance covers the boiler and machinery with a \$1,000 deductible and a \$30,000,000 limit.

Professional liability is provided by The Nationwide Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles are covered by Nationwide Insurance and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in insurance coverage from the prior year.

As of January 1, 1995, the School District has contracted with Stark County Schools Council of Government (a shared risk pool) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the School District's Board of Education. For fiscal year 1999, the School District's and the employees' share of cost for paid premiums were \$453.40 and \$13.75 for family coverage, and \$186.33 and \$5.98 for single coverage, per month, respectively. Dental insurance is also provided by the School District to all employees through the Stark County Schools Council of Government.

For fiscal year 1999, the School District's cost was \$60.23 for family coverage and \$24.42 for single coverage per employee per month. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County School Council of Government Board of Directors has the right monies to an exiting school district subsequent to the settlement of all expenses and claims.

**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contributions is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established

**Stow-Munroe Falls City School District**  
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and may be amended, up to statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$278,603, \$466,474, \$455,120, and, respectively; 48.01 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$263,332 representing the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds and the general long-term obligations account group.

***B. State Teachers Retirement System***

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$1,118,735, \$1,821,866, and \$1,983,180, respectively; 89.39 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$433,014 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**Note 12 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$1,584,980 for fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was at \$12,400. For the School District, the amount to fund health care benefits, including surcharges, equaled \$231,726 during the 1999 fiscal year.

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

### **Note 13 - Other Employee Benefits**

#### ***A. Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, and administrators who are not on a twelve month contract, do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave, for teachers and classified employees, may be accumulated up to 282 days; for administrators, up to 350 days. Upon retirement, payment to teachers is one-third of the first 141 days and one-tenth of the balance up to a maximum payment of 56 days; payment to classified employees is one-third of the first 168 days up to a maximum payment of 56 days; payment to administrators is one-third of the first 225 days up to a maximum payment of 75 days.

#### ***B. Health Care Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Council of Governments Health Benefits Program. Administrators receive coverage in the amount of their salary rounded to the nearest \$1,000. Coverage in the amount of \$50,000 is provided for all certified and classified employees.

### **Note 14 - Capitalized Lease - Lessee Disclosure**

In prior years, the School District entered into capitalized leases for six copiers and computer equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards

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No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$1,425,336. 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 during fiscal year 1999 amounted to \$271,199 in the governmental funds.

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

Fiscal Year Ending June 30,	Principal and Interest
2000	\$311,594
2001	205,403
2002	103,387
Total minimum lease payments	620,384
Less: amount representing interest	(65,767)
Present value of net minimum lease payments	\$554,617

**Note 15 - Contingencies**

**A. Grants**

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

**B. Litigation**

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

**Note 16 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

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	Outstanding 6/30/98	Additions	Deductions	Outstanding 6/30/99
General Obligation Bonds:				
1985 \$11,800,000 School Building 9.125%	\$5,310,000	\$0	\$590,000	\$4,720,000
1996 \$530,000 Allen Road Property 5.16%	490,000	0	45,000	445,000
1996 \$3,952,000 Public Library Addition 5.33%	3,710,000	0	255,000	3,455,000
Total General Obligation Bonds	<u>9,510,000</u>	<u>0</u>	<u>890,000</u>	<u>8,620,000</u>
Energy Conservation Note 4.10%	2,946,000	0	2,946,000	0
Energy Conservation Note 3.95%	0	2,544,000	0	2,544,000
Compensated Absences	2,372,702	2,496,669	2,372,702	2,496,669
Intergovernmental Payable	304,521	313,847	304,521	313,847
Capital Lease	825,816	0	271,199	554,617
Total General Long-Term Obligations	<u>\$15,959,039</u>	<u>\$5,354,516</u>	<u>\$6,784,422</u>	<u>\$14,529,133</u>

The School District had issued general obligation bonds for the purpose of improvements to various school buildings, purchasing the administration building and improvements to the public library. The bonds are being retired from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. The capital lease obligation will be paid from the general fund.

Energy conservation bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the fiscal year in which the report is issued have been reported in the general long-term obligations account group and will be paid from the debt service fund.

The School District's overall debt margin was \$53,279,685 with an unvoted debt margin of \$687,773 at June 30, 1999.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$905,000	\$603,551	\$1,508,551
2001	925,000	530,798	1,455,798
2002	940,000	457,389	1,397,389
2003	960,000	383,323	1,343,323
2004	980,000	309,499	1,289,499
2005-2009	3,910,000	525,782	4,435,782
Total	<u>\$8,620,000</u>	<u>\$2,810,342</u>	<u>\$11,430,342</u>

**Note 17 - 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 School District as of and for the fiscal year ended June 30, 1999.

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$935,407	\$131,459	\$1,066,866
Depreciation	15,372	0	15,372
Operating Loss	(256,861)	(4,340)	(261,201)
Donated Commodities	66,536	0	66,536
Operating Grants	150,014	0	150,014
Operating Transfers In	0	226	226
Net Income (Loss)	(37,258)	(4,093)	(41,351)
Net Working Capital	87,094	60,016	147,110
Total Assets	164,422	68,114	232,536
Long-Term Compensated Absences Payable	29,873	0	29,873
Total Equity	(8,419)	68,114	59,695
Encumbrances, June 30, 1999	0	1,363	1,363

**Note 18 - Interfund Activity**

At June 30, 1999, the general interfund payable and other grants special revenue fund had interfund payables in the amounts of \$320 and \$2,286 respectively. The general fund had an interfund receivable of \$2,286 and interfund payable of \$320.

**Note 19 - State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$10,568,706 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 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 (these programs) and on its financial operations.

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 20 - 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 School District's operations as early as fiscal year 1999.

The School District uses the State of Ohio Uniform Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems

Northwest Ohio Computer Association, State software development team states,

The payroll procession software supported with the OECN State Software is compliant with year 2000.

The accounting software supported with the OECN State Software is be compliant with year 2000.

The education management information system software supported with the OECN State Software is compliant with Year 2000.

The equipment inventory and vehicle inventory system software supported with the OECN State Software will be compliant with the Year 2000, beginning with March 1999 release of of SAAS V2.1.

Summit County collects property taxes for distribution to the School District. Summit County is responsible for remediating the tax collection system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

The County is solely responsible for any costs associated with the tax collection system project. The State is solely responsible for any costs associated with the Foundation processing and EMIS 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.

**Note 21 - Set Aside**

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

**Stow-Munroe Falls City School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 1999

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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.

	Budget Stabilization Reserve	Textbook/ Instructional Materials	Capital Improvements	Totals
Set-aside balance as of June 30, 1998	\$195,574	\$0	\$0	\$195,574
Current year set-aside requirement	284,957	569,914	569,914	1,424,785
Qualifying disbursements	0	(709,177)	(754,296)	(1,463,473)
<b>Total</b>	<b>480,531</b>	<b>(139,263)</b>	<b>(184,382)</b>	<b>156,886</b>
Cash balance carried forward to FY 2000	<u>\$480,531</u>	<u>\$0</u>	<u>\$0</u>	
Total Restricted Assets				<u>\$480,531</u>

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

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

Federal Program	CFDA	Pass-Through Agency Awarding Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
Child Nutrition Cluster:						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution	10.550	N/A		\$51,618		\$65,629
National School Lunch Program	10.555	N/A	\$147,986		\$147,986	
Total U.S. Department of Agriculture Child Nutrition Cluster			147,986	51,618	147,986	65,629
<b>United States Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SF-97 6B-SF-98	229,472		65,869 196,410	
Total Special Education Grants to States			229,472		262,279	
Special Education Preschool Grants	84.173	PG-S1-97 PG-S1-98	13,182		1,185 11,643	
Total Special Education Preschool Grants			13,182		12,828	
Total Special Education Cluster			242,654		275,107	
Title I Grants to Local Educational Agencies	84.010	C1-S1-98 C1-S1-98c C1-S1-99	153,020		4,820 16,773 131,871	
Total Title I Grants to Local Educational Agencies			153,020		153,464	
Goals 2000 State and Local Education Systemic Improvement Grants	84.276	G2-S4-98	3,000		3,525	
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-98 DR-S1-98c DR-S1-99	31,226		209 1,469 31,226	
Total Safe and Drug-Free Schools and Communities State Grants			31,226		32,904	
Innovative Education Program Strategies	84.298	C2-S1-98 C2-S1-99	25,831		4,813 24,195	
Total Innovative Education Program Strategies			25,831		29,008	
<i>Passed Through Summit County Educational Service Center:</i>						
Technology Innovation Challenge Grants	84.303	N/A N/A N/A	6,908 1,471 30,519		10,974 4,613 30,519	
Total Technology Innovation Challenge Grants			38,898		46,106	
<i>Passed Through Six District Educational Compact:</i>						
Vocational Education Basic Grants to States	84.048	N/A N/A N/A	5,617 25,840		393 32,811 0	
Total Vocational Education Basic Grants to States			31,457		33,204	
Eisenhower Professional Development State Grants	84.281	N/A N/A	11,414 12,848		11,413 8,102	
Total Eisenhower Professional Development State Grants			24,262		19,515	
Total Passed Through the Six District Educational Compact			55,719		52,719	
Total U.S. Department of Education			550,348		592,833	
<b>U.S. Department of Labor</b>						
<i>Passed Through Ohio Department of Education:</i>						
Employment Services and Job Training Pilot and Demonstration Programs	17.249	WK-BE-98			3,502	
<i>Passed Through Ohio Department of Education and through the Six District Educational Compact:</i>						
Employment Services and Job Training Pilot and Demonstration Programs	17.249	N/A N/A			125 750	
Total Employment Services and Job Training Pilot and Demonstration Programs					875	
Total U.S. Department of Labor					4,377	
<b>U.S. Department of Health and Human Services</b>						
<i>Passed Through Ohio Department of Health:</i>						
Preventative Health & Health Services Block Grants	93.991	77501PCB387	3,000		4,800	
Total U.S. Department of Health and Human Services			3,000		4,800	
<b>Total Federal Awards, Receipts and Expenditures</b>			<b>\$701,334</b>	<b>\$51,618</b>	<b>\$749,996</b>	<b>\$65,629</b>

The notes to the Schedule of Federal Awards, Receipts and Expenditures are an integral part of this statement.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS, RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at 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 School District had \$23,252 of food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Telephone 330-438-0617  
800-443-9272

Facsimile 330-471-0001

**Report on Compliance and on Internal Control Required by  
Government Auditing Standards**

Board of Education  
Stow-Munroe Falls City School District  
Summit County  
4350 Allen Road  
Stow, Ohio 44224

To the Board of Education:

We have audited the general purpose financial statements of Stow-Munroe Falls City School District (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's 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 as item 1999-10977-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 22, 1999.

**Internal Control Over Financial Reporting**

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

Board of Education  
Stow-Munroe Falls City School District  
Summit County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 22, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

**Jim Petro**  
Auditor of State

December 22, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**Report on Compliance with Requirements Applicable Each Major Federal  
Program and Internal Control over Compliance in Accordance  
with OMB Circular A-133**

Board of Education  
Stow-Munroe Falls City School District  
Summit County  
4350 Allen Road  
Stow, Ohio 44224

**Compliance**

We have audited the compliance of Stow-Munroe Falls City School District (the 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 its major federal programs for the year ended June 30, 1999. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 the School District's compliance with those requirements.

In our opinion, the 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 year ended June 30, 1999.

**Internal Control Over Compliance**

The management of 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 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.

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

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



**Jim Petro**  
Auditor of State

December 22, 1999

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

June 30, 1999

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - Title VI-B, CFDA# 84.027 and Title VI-B Preschool, CFDA # 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**June 30, 1999  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	1999-10977-001
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Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer that the amount required to pay for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriated fund free from any previous encumbrances.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was available both at the time of the contract or order and at the time of the certificate appropriated and free of any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipts of such certificate, if such expenditure is otherwise valid.
  
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

We noted roughly 28% of the expenditures were certified by the Treasurer after the invoice date. This type of activity could lead to the School District's expenditures in excess of appropriations.

We recommend that the School District ensure all purchase commitments are certified prior to invoice date.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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N/A

