



**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Austintown Local School District
Mahoning County
225 Idaho Road
Austintown, Ohio 44515

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Austintown Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Austintown Local School District, Mahoning County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards 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.

Jim Petro
Auditor of State

March 5, 2001

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**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>ASSETS AND OTHER DEBITS</u>				
ASSETS:				
Equity in pooled cash and cash equivalents	\$3,447,407	\$609,334	\$65,936	\$131,033
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	20,432,678		276,175	
Accounts	36,658	21,067		
Due from other governments	3,900	98,945		
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	674,246			
Fixed assets (net of accumulated depreciation where applicable)				
OTHER DEBITS:				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	<u>\$24,594,889</u>	<u>\$729,346</u>	<u>\$342,111</u>	<u>\$131,033</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$154,203	\$1,116,612			\$5,524,525
	7,928			7,928
				20,708,853
1,030	63,887			122,642
12,607	176,707			292,159
36,257				36,257
				674,246
30,982		\$23,084,619		23,115,601
			\$65,936	65,936
			3,553,006	3,553,006
<u>\$235,079</u>	<u>\$1,365,134</u>	<u>\$23,084,619</u>	<u>\$3,618,942</u>	<u>\$54,101,153</u>

Continued

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$177,036	\$32,898		
Accrued wages and benefits	3,476,069	102,177		\$25
Compensated absences payable.	107,185	1,013		
Pension obligation payable	467,294			
Due to other governments.	33,515	475		
Undistributed monies				
Deferred revenue	20,432,678		\$276,175	
Due to students				
Loans payable				
Early retirement incentive payable	406,280			
Total liabilities	<u>25,100,057</u>	<u>136,563</u>	<u>276,175</u>	<u>25</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets.				
Accumulated deficit: unreserved				
Fund balances:				
Reserved for encumbrances	465,025	48,482		5,924
Reserved for principal endowment				
Reserved for budget stabilization.	423,231			
Reserved for debt service.			65,936	
Unreserved:				
Designated for budget stabilization	251,015			
Undesignated (deficit)	<u>(1,644,439)</u>	<u>544,301</u>		<u>125,084</u>
Total equity and other credits.	<u>(505,168)</u>	<u>592,783</u>	<u>65,936</u>	<u>131,008</u>
Total liabilities, equity and other credits	<u>\$24,594,889</u>	<u>\$729,346</u>	<u>\$342,111</u>	<u>\$131,033</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
	\$7,270			\$217,204
\$93,551				3,671,822
58,313			\$2,619,009	2,785,520
70,410			265,365	803,069
				33,990
	1,290,816			1,290,816
26,274				20,735,127
	40,043			40,043
			734,568	734,568
				406,280
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
248,548	1,338,129		3,618,942	30,718,439
		\$23,084,619		23,084,619
(13,469)				(13,469)
				519,431
	5,000			5,000
				423,231
				65,936
				251,015
	22,005			(953,049)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(13,469)	27,005	23,084,619		23,382,714
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$235,079	\$1,365,134	\$23,084,619	\$3,618,942	\$54,101,153

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$16,155,852		\$248,095			\$16,403,947
Tuition	12,277					12,277
Earnings on investments	236,260	\$14,171			\$1,013	251,444
Extracurricular activities	2,590	594,440			14,262	611,292
Classroom materials and fees	30,310	1,259				31,569
Other local revenues	293,479	38,533		\$47,670		379,682
Other revenue		2,809				2,809
Intergovernmental - State	14,237,494	958,278				15,195,772
Intergovernmental - Federal		868,111				868,111
Total revenue	30,968,262	2,477,601	248,095	47,670	15,275	33,756,903
Expenditures:						
Current:						
Instruction:						
Regular	16,631,981	400,358		59,959		17,092,298
Special	2,095,070	554,111				2,649,181
Vocational	313,286					313,286
Other	12,277	24,482				36,759
Support services:						
Pupil	1,841,858	86,857				1,928,715
Instructional staff	609,341	154,179				763,520
Board of Education	28,693					28,693
Administration	2,749,695	364,780				3,114,475
Fiscal	706,693	271				706,964
Business	8,096					8,096
Operations and maintenance	3,142,903	8,008		20,433		3,171,344
Pupil transportation	1,831,271					1,831,271
Central	1,477	500				1,977
Community services		26,944			7,444	34,388
Extracurricular activities	423,629	337,787				761,416
Facilities acquisition and construction	738,146					738,146
Pass-through intergovernmental		429,066				429,066
Debt service:						
Principal retirement			247,948			247,948
Interest and fiscal charges			29,801			29,801
Total expenditures	31,134,416	2,387,343	277,749	80,392	7,444	33,887,344
Excess (deficiency) of revenues over (under) expenditures	(166,154)	90,258	(29,654)	(32,722)	7,831	(130,441)
Other financing sources:						
Operating transfers in	150,000					150,000
Operating transfers (out)				(150,000)		(150,000)
Proceeds from sales of fixed assets	1,701					1,701
Total other financing sources	151,701			(150,000)		1,701
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(14,453)	90,258	(29,654)	(182,722)	7,831	(128,740)
Fund balances (deficit), July 1	(490,715)	502,525	95,590	313,730	11,246	432,376
Fund balances (deficit), June 30	(\$505,168)	\$592,783	\$65,936	\$131,008	\$19,077	\$303,636

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes.....	\$16,157,197	\$16,157,197				
Tuition.....	12,277	12,277				
Earnings on investments.....	209,706	236,260	\$26,554	\$12,887	\$14,171	\$1,284
Extracurricular.....	2,590	2,590		573,597	575,597	2,000
Classroom materials and fees.....	31,453	31,537	84	1,259	1,259	
Other local revenues.....	219,061	225,761	6,700	42,513	42,513	
Other revenue				\$2,809	\$2,809	
Intergovernmental - State.....	14,233,594	14,233,594		951,413	951,740	327
Intergovernmental - Federal.....				836,841	836,841	
Total revenues.....	<u>30,865,878</u>	<u>30,899,216</u>	<u>33,338</u>	<u>2,421,319</u>	<u>2,424,930</u>	<u>3,611</u>
Expenditures:						
Current:						
Instruction:						
Regular.....	16,837,024	16,579,987	257,037	496,631	428,956	67,675
Special.....	1,907,883	1,864,864	43,019	667,105	551,587	115,518
Vocational.....	264,085	260,319	3,766			
Other.....	20,044	11,483	8,561	27,796	25,220	2,576
Support services:						
Pupil.....	1,870,623	1,848,948	21,675	103,953	89,269	14,684
Instructional staff.....	687,678	675,282	12,396	164,315	156,980	7,335
Board of Education.....	29,300	28,726	574			
Administration.....	2,747,467	2,672,376	75,091	401,506	366,676	34,830
Fiscal.....	734,720	708,997	25,723	271	271	
Business.....	9,227	8,094	1,133			
Operations and maintenance.....	3,262,940	3,218,829	44,111	8,009	8,009	
Pupil transportation.....	2,070,744	2,012,838	57,906			
Central.....	1,057	1,057		500	500	
Community services.....				31,626	27,816	3,810
Extracurricular activities.....	457,833	419,273	38,560	335,466	335,466	
Facilities acquisition and construction.	897,133	871,168	25,965			
Pass-through intergovernmental.....				458,580	458,580	
Debt service:						
Principal retirement.....						
Interest and fiscal charges.....						
Total expenditures.....	<u>31,797,758</u>	<u>31,182,241</u>	<u>615,517</u>	<u>2,695,758</u>	<u>2,449,330</u>	<u>246,428</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(931,880)</u>	<u>(283,025)</u>	<u>648,855</u>	<u>(274,439)</u>	<u>(24,400)</u>	<u>250,039</u>
Other financing sources (uses):						
Refund of prior year's expenditures.....	50,801	50,801				
Operating transfers in.....	426,063	426,063				
Operating transfers (out).....	(276,063)	(276,063)				
Proceeds of sale of fixed assets.....	1,701	1,701				
Total other financing sources (uses).	<u>202,502</u>	<u>202,502</u>				
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).	<u>(729,378)</u>	<u>(80,523)</u>	<u>648,855</u>	<u>(274,439)</u>	<u>(24,400)</u>	<u>250,039</u>
Fund balances, July 1.....	3,024,094	3,024,094		346,552	346,552	
Prior year encumbrances appropriated.....	640,791	640,791		221,999	221,999	
Fund balances, June 30.....	<u>\$2,935,507</u>	<u>\$3,584,362</u>	<u>\$648,855</u>	<u>\$294,112</u>	<u>\$544,151</u>	<u>\$250,039</u>

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

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Debt Service		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
Revenues:			
From local sources:			
Taxes.....	\$277,749	\$277,749	
Tuition.....			
Earnings on investments.....			
Extracurricular.....			
Classroom materials and fees.....			
Other local revenues.....			
Other revenue			
Intergovernmental - State.....			
Intergovernmental - Federal.....			
Total revenues.....	<u>277,749</u>	<u>277,749</u>	
Expenditures:			
Current:			
Instruction:			
Regular.....			
Special.....			
Vocational.....			
Other.....			
Support services:			
Pupil.....			
Instructional staff.....			
Board of Education.....			
Administration.....			
Fiscal.....			
Business.....			
Operations and maintenance.....			
Pupil transportation.....			
Central.....			
Community services.....			
Extracurricular activities.....			
Facilities acquisition and construction.			
Pass-through intergovernmental.....			
Debt service:			
Principal retirement.....	247,948	247,948	
Interest and fiscal charges.....	29,801	29,801	
Total expenditures.....	<u>277,749</u>	<u>277,749</u>	
Excess (deficiency) of revenues over (under) expenditures.....			
Other financing sources (uses):			
Refund of prior year's expenditures.....			
Operating transfers in.....			
Operating transfers (out).....			
Proceeds of sale of fixed assets.....			
Total other financing sources (uses).			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).			
Fund balances, July 1.....	65,936	65,936	
Prior year encumbrances appropriated.....			
Fund balances, June 30.....	<u>\$65,936</u>	<u>\$65,936</u>	

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$16,434,946	\$16,434,946	
			12,277	12,277	
			222,593	250,431	\$27,838
			576,187	578,187	2,000
			32,712	32,796	84
\$47,670	\$47,670		309,244	315,944	6,700
			2,809	2,809	
			15,185,007	15,185,334	327
			836,841	836,841	
<u>47,670</u>	<u>47,670</u>		<u>33,612,616</u>	<u>33,649,565</u>	<u>36,949</u>
128,586	65,857	62,729	17,462,241	17,074,800	387,441
			2,574,988	2,416,451	158,537
			264,085	260,319	3,766
			47,840	36,703	11,137
			1,974,576	1,938,217	36,359
			851,993	832,262	19,731
			29,300	28,726	574
			3,148,973	3,039,052	109,921
			734,991	709,268	25,723
			9,227	8,094	1,133
20,434	20,434		3,291,383	3,247,272	44,111
			2,070,744	2,012,838	57,906
			1,557	1,557	
			31,626	27,816	3,810
			793,299	754,739	38,560
			897,133	871,168	25,965
			458,580	458,580	
			247,948	247,948	
			29,801	29,801	
<u>149,020</u>	<u>86,291</u>	<u>62,729</u>	<u>34,920,285</u>	<u>33,995,611</u>	<u>924,674</u>
<u>(101,350)</u>	<u>(38,621)</u>	<u>62,729</u>	<u>(1,307,669)</u>	<u>(346,046)</u>	<u>961,623</u>
			50,801	50,801	
			426,063	426,063	
(150,000)	(150,000)		(426,063)	(426,063)	
			1,701	1,701	
<u>(150,000)</u>	<u>(150,000)</u>		<u>52,502</u>	<u>52,502</u>	
(251,350)	(188,621)	62,729	(1,255,167)	(293,544)	961,623
311,282	311,282		3,747,864	3,747,864	
2,448	2,448		865,238	865,238	
<u>\$62,380</u>	<u>\$125,109</u>	<u>\$62,729</u>	<u>\$3,357,935</u>	<u>\$4,319,558</u>	<u>\$961,623</u>

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating revenues:			
Tuition and fees	\$57,794		\$57,794
Sales/charges for services.	795,076		795,076
Investment earnings.		\$438	438
Total operating revenues	<u>852,870</u>	<u>438</u>	<u>853,308</u>
Operating expenses:			
Personal services	840,268		840,268
Contract services	3,280		3,280
Materials and supplies.	540,749		540,749
Depreciation.	5,024		5,024
Other operating expenses	17,190		17,190
Total operating expenses	<u>1,406,511</u>	<u></u>	<u>1,406,511</u>
Operating income (loss)	<u>(553,641)</u>	<u>438</u>	<u>(553,203)</u>
Nonoperating revenues:			
Operating grants	354,469		354,469
Federal donated commodities.	88,952		88,952
Interest revenue.	5,134		5,134
Miscellaneous nonoperating revenue.	24,087		24,087
Total nonoperating revenues.	<u>472,642</u>	<u></u>	<u>472,642</u>
Net income (loss)	(80,999)	438	(80,561)
Retained earnings/fund balance at July 1	<u>67,530</u>	<u>7,490</u>	<u>75,020</u>
Accumulated deficit/fund balance at June 30	<u>(\$13,469)</u>	<u>\$7,928</u>	<u>(\$5,541)</u>

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

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Non-Expendable Trust	
Cash flows from operating activities:			
Cash received from tuition and fees	\$57,744		\$57,744
Cash received from sales/service charges	794,096		794,096
Cash payments for personal services	(852,789)		(852,789)
Cash payments for contract services	(3,280)		(3,280)
Cash payments supplies and materials	(454,357)		(454,357)
Cash payments for other expenses	(17,190)		(17,190)
Net cash used in operating activities	(475,776)		(475,776)
Cash flows from noncapital financing activities:			
Cash received from operating grants	411,579		411,579
Cash received from nonoperating activities	24,087		24,087
Net cash provided by noncapital financing activities	435,666		435,666
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(10,342)		(10,342)
Net cash (used in) capital and related financing activities	(10,342)		(10,342)
Cash flows from investing activities:			
Interest received	5,134	\$438	5,572
Net cash provided by investing activities	5,134	438	5,572
Net increase (decrease) in cash and cash equivalents	(45,318)	438	(44,880)
Cash and cash equivalents at beginning of year	199,521	7,490	207,011
Cash and cash equivalents at end of year	\$154,203	\$7,928	\$162,131
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(\$553,641)	\$438	(\$553,203)
Adjustments to reconcile operating (loss) to net cash used in operating activities:			
Depreciation	5,024		5,024
Federal donated commodities used	88,952		88,952
Interest reported as operating income		(438)	(438)
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	15,805		15,805
Increase in accounts receivable	(1,030)		(1,030)
Increase in accrued wages and benefits	8,388		8,388
Increase in compensated absences payable	2,511		2,511
Decrease in deferred revenue	(18,365)		(18,365)
Decrease in pension obligation payable	(23,420)		(23,420)
Net cash used in operating activities	(\$475,776)		(\$475,776)

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

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**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT

Austintown Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The District is the 69th largest in the State of Ohio (among 660 public and community school districts) in terms of total revenue. The District is staffed by 254 non-certificated and 340 certificated personnel to provide services to approximately 5,098 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, is jointly governed by 24 districts within Mahoning and Columbiana counties. ACCESS is governed by an assembly consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly. Members of ACCESS are assessed annual user fees and periodic capital improvement fees based on their average daily membership. During fiscal year 2000, the District paid \$99,781 to ACCESS for computer services. The members do have an ongoing financial interest in ACCESS, however, they do not have an equity interest. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507-1693.

Mahoning County Joint Vocational School

The Mahoning County Joint Vocational School is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. Each School District's control is limited to its representation on the board. During fiscal year 1999, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Joint Vocational School, 7300 North Palmyra Road, Canfield, Ohio, 44406.

PUBLIC ENTITY RISK POOL

Stark County Schools Council Workers' Compensation Group Rating Plan

The District participates in the Stark County School Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

B. Fund Accounting

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds, the expendable trust fund and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Budgets

The 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.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund level of expenditures. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources:

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2000.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level (which is the legal level of budgetary control). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types" are provided on the budgetary basis to facilitate a comparison of actual results to the final budget, including all amendments and modifications. Although the legal level of budgetary control was established at the fund level, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying GPFS. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for the enterprise funds at fiscal year end.

5. Lapsing of Appropriations:

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

E. Cash and Investments

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

During 2000, investments were limited to repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments during fiscal 2000.

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned By Other Funds</u>
General Fund	\$236,260	\$169,126	\$67,134
<u>Special Revenue Funds</u>			
Auxiliary Services	5,079	3,941	1,138
Public School Support	5,823	4,951	872
<u>Enterprise Funds</u>			
Food Service	5,134	3,900	1,234

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

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

F. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used. The balance of materials and supplies inventory for the governmental funds at June 30, 2000 was not material and not presented on the GPFS.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the general fixed assets account group. The District has a policy of not capitalizing assets with a cost less than \$500 and a useful life less than one year. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure. The District has elected not to record depreciation in the general fixed assets account group.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost less than \$500 and a useful life less than one year. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Asset	Life (years)
Furniture and equipment	5 - 20

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Title I
- Title VI
- Drug Free Schools
- Auxiliary Services
- Disadvantaged Pupil Impact Aid
- Eisenhower Grants
- Title VI-B
- Fitch Health Center Grant
- Family Stability Program
- Professional Development
- Reading Improvement Incentive
- School Net Professional Development
- Ohio Reads
- Alternative Schools Grant
- Adult Basic Education
- Title VI-R
- Continuous Improvement

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 46.93% of the District's operating revenue during the 2000 fiscal year.

I. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Classified employees earn ten to twenty days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Sick leave benefits are accrued as a liability using the vested method. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth day per month. Upon retirement, classified employees and certified employees receive payment for twenty-five percent of the total accumulation up to 168 days and seven percent for total leave accumulation greater than 168 days.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the general long-term obligations account group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

J. Long-Term Obligations

Governmental funds payables and accrued liabilities are reported as obligations of the funds regardless of whether they are liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension and special termination benefits 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. Payment made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Capital leases and the early retirement incentive are recognized as a liability of the general long-term obligations account group until resources have been accumulated in the fund for payment early in the following year.

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Reserves and Designations

Reserved or designated fund balances indicate that portion of fund equity which are not available for current appropriation or use. The unreserved and undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

Fund balances are reserved for encumbrances, debt service, budget stabilization and principal endowment. The District reports amounts set-aside in excess of State statute for budget stabilization as a designation of fund balance in the governmental funds. See Note 17 for statutory reserves.

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2000.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

See Note 5 for an analysis of interfund transactions.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 17 for statutory reserves.

O. Estimates

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2000 included the following fund deficits:

	<u>Deficit Balance</u>
General Fund	\$505,168
<u>Special Revenue Funds</u>	
Other Grants	4,108
Education Management Information Systems	106
<u>Enterprise Funds</u>	
Food Service	86,548

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

The general fund deficit balance resulted from accruals on the modified accrual basis of accounting.

The deficit fund balances in the Other Grants and Education Management Information Systems special revenue funds are caused by accruing wage obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit retained earnings in the Food Service enterprise fund is due to accruing wage, benefit and retirement obligations in accordance with GAAP. This deficit will be funded by user charges and compensated absences, and deferred revenue subsidies not recognized and recorded at June 30.

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

Inactive deposits are public deposits 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.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

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

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

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

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

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

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

Deposits: At year end, the carrying amount of the District's deposits was \$(240,332) and the bank balance was (\$374). The District did not record a liability due to the "zero balance" nature of the account. The entire bank balance was covered by the federal deposit insurance. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

	Category 2	Reported Amount	Fair Value
Repurchase agreement	\$6,447,031	\$6,447,031	\$6,447,031

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 6,206,699	\$ 0
Investments in the cash management pool:		
Repurchase agreement	(6,447,031)	6,447,031
GASB Statement No. 3	\$ (240,332)	\$6,447,031

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

5. INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$150,000	\$ ---
<u>Capital Projects Funds</u>		
Permanent Improvement	---	(150,000)
Total	<u>\$150,000</u>	<u>\$(150,000)</u>

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. The last revaluation was completed in 1999. A statistical update was completed in 1996.

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$539,982,660. Agricultural/Residential and public utility/minerals real estate represented \$347,457,860 or 64.34% of this total; Commercial & Industrial real estate represented \$120,328,560 or 22.29% of this total, public utility tangible represented \$19,855,990 or 3.68% of this total and general tangible property represented \$52,340,250 or 9.69% of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$54.60 per \$1,000.00 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no tax advances available to the District at June 30, 2000.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements intended to finance fiscal year 2000. Intergovernmental receivables have been recorded as "due from other governments" on the balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$20,432,678
Accounts	36,658
Due from other governments	3,900
 <u>Special Revenue Funds</u>	
Accounts	21,067
Due from other governments	98,945
 <u>Debt Service</u>	
Taxes - current and delinquent	276,175
 <u>Enterprise Funds</u>	
Accounts	1,030
Due from other governments	12,607
 <u>Agency Funds</u>	
Accounts	63,887
Due from other governments	176,707

8. FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/Improvements	\$ 261,042	\$ ---	\$ ---	\$ 261,042
Buildings/Improvements	12,739,788	236,629	---	12,976,417
Furniture and Equipment	6,720,439	392,127	(77,983)	7,034,583
Vehicles/Other	<u>2,605,938</u>	<u>206,639</u>	<u>---</u>	<u>2,812,577</u>
Total	<u>\$22,327,207</u>	<u>\$835,395</u>	<u>\$(77,983)</u>	<u>\$23,084,619</u>

There was no significant construction in progress at June 30, 2000.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

8. FIXED ASSETS - (Continued)

A summary of the proprietary fixed assets at June 30, 2000 follows:

Machinery and equipment	\$ 143,956
Less: accumulated depreciation	<u>(112,974)</u>
Net fixed assets	<u>\$ 30,982</u>

9. LONG-TERM OBLIGATIONS

A. In prior years, the District issued energy conservation and asbestos loans to provide for energy improvements to various District buildings. The primary source of repayment of this loan is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligations at year end are accounted for in the general long-term obligations account group.

The following is a description of the District's loans outstanding as of June 30, 2000:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 1999</u>	<u>Retired in 2000</u>	<u>Outstanding June 30, 2000</u>
Asbestos Loan	0.00%	12/01/93	11/30/11	\$668,475	\$(222,825)	\$445,650
Energy Conservation Loan	4.85%	05/23/96	4/10/02	<u>314,041</u>	<u>(25,123)</u>	<u>288,918</u>
Total				<u>\$982,516</u>	<u>\$(247,948)</u>	<u>\$734,568</u>

The following is a summary of the District's future annual debt service requirements to maturity for the asbestos loan and energy conservation notes:

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2001	\$ 247,948	\$18,920	\$266,868
2002	247,948	8,113	256,061
2003	25,123		25,123
2004	25,123		25,123
2005	25,123		25,123
2006-2010	125,615		125,615
2011-2012	<u>37,688</u>		<u>37,688</u>
Total	<u>\$734,568</u>	<u>\$27,033</u>	<u>\$761,601</u>

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

B. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences and pension obligations will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Loans payable	\$ 982,516	\$ - - -	\$ (247,948)	\$ 734,568
Compensated absences	2,421,289	197,720	- - -	2,619,009
Pension obligation payable	179,372	265,365	(179,372)	265,365
Early retirement incentive	<u>1,506,947</u>	<u>- - -</u>	<u>(1,506,947)</u>	<u>0</u>
 Total	 <u>\$5,090,124</u>	 <u>\$463,085</u>	 <u>\$(1,934,267)</u>	 <u>\$3,618,942</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$48,664,375 (including \$65,936 available in the debt service fund) and an unvoted debt margin of \$539,983.

10. EMPLOYEE BENEFITS

A. Compensated Absences

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2000, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$2,559,414	\$59,595	\$2,619,009

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

10. EMPLOYEE BENEFITS (Continued)

B. Early Retirement Incentive

During fiscal years 1998 and 1999 the District offered an early retirement incentive to its certified personnel. The incentive offered was a two year buy-out and the benefits were paid out in July of 1999 and 2000.

The District's Board of Education approved an Early Retirement Incentive program on June 14, 1999. Participation was open to eligible employees who were at least fifty years old, qualified for retirement with the years purchased by the Board, and agreed to retire within ninety days after notification that credit had been purchased. The Board did not limit the number of employees in the plan in any one year. The Board had the option of paying the liability in its entirety or in installments. Early retirement incentive payments have been classified as program/function expenditures on both the budgetary and GAAP basis.

As an additional provision of the program, STRS members who elected to have the Board purchase three years of retirement credit receive one hundred percent of their unused compensated absences payments on the one year anniversary of their retirement.

11. RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2000, the District contracted with Love Insurance Agency for property, inland marine, musical instruments, EDP equipment, boiler and machinery, and commercial crime insurance with a \$1,000 deductible.

Professional liability is protected by Nationwide Insurance with a \$2,000,000 single occurrence, \$5,000,000 aggregated and no deductible. Vehicles are also covered by Nationwide Insurance and have a \$1,000 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit if liability.

Settled claims have never exceeded this commercial coverage and there has not been a significant reduction in coverage from the prior year.

B. Medical Benefits

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 14 member school districts. The plan was organized to provide life insurance, health care and other benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims and payments are made for all participating districts and claims are paid for all participants regardless of claims flow. Any claim exceeding \$135,000 is covered by the District's stop-loss carrier.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

11. RISK MANAGEMENT - (Continued)

The District pays the insurance premiums for certified and classified employees. The District pays the equivalent of a single person insurance premium for the employees. Employees who desire family coverage are required to pay the difference in premium between single coverage and family coverage.

The dental and prescription drug coverage is administered by Professional Risk Management, a third party administrator. National Life Insurance Company provides the life insurance coverage.

C. Worker's Compensation

The District participated in the Stark County School Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium to the State GRP. A participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selective criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, adult education, and a special enterprises fund. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Special Enterprises</u>	<u>Total</u>
Operating revenue	\$ 795,076	\$29,345	\$10,554	\$ 17,895	\$ 852,870
Operating expenses before depreciation	1,320,580	28,170	10,758	41,979	1,401,487
Depreciation	5,024	---	---	---	5,024
Operating income (loss)	(530,528)	1,175	(204)	(24,084)	(553,641)
Operating grants	354,469	---	---	---	354,469
Net income	(81,973)	1,175	(204)	3	(80,999)
Fixed asset additions	10,342	---	---	---	10,342
Net working capital	(59,217)	1,331	597	71,151	13,862
Total assets	159,362	1,331	1,290	73,096	235,079
Total liabilities	245,910	---	693	1,945	248,548
Total equity	(86,548)	1,331	597	71,151	(13,469)
Encumbrances at 06/30/00	---	---	---	2,800	2,800

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$633,961, \$687,660, and \$644,072, respectively; 44.06 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$354,576, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers retirement board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$2,190,010, \$2,229,156, and \$1,979,449, respectively; 83.33 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$365,012, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1,251,434 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$464,070 during the 2000 fiscal year.

15. BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING- (Continued)

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

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

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

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (80,523)	\$(24,400)	\$ 0	\$(188,621)
Net adjustment for revenue accruals	69,046	52,671	(29,654)	---
Net adjustment for expenditure accruals	(489,466)	(3,196)	---	(25)
Net adjustment for other financing sources (uses)	(50,801)	---	---	---
Encumbrances (budget basis)	<u>537,291</u>	<u>65,183</u>	<u>---</u>	<u>5,924</u>
GAAP basis	<u>\$ (14,453)</u>	<u>\$ 90,258</u>	<u>\$(29,654)</u>	<u>\$(182,722)</u>

16. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

16. CONTINGENCIES - (Continued)

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received school foundation support of \$11,620,038 for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

17. STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$204,007
Current year set-aside requirement	753,044	753,004	---
Current year additional requirement	---	---	219,224
Current year offsets	---	---	---
Qualifying disbursements	<u>(756,094)</u>	<u>(1,834,332)</u>	<u>---</u>
Total	<u>\$ (3,050)</u>	<u>\$(1,081,328)</u>	<u>\$423,231</u>
Cash balance carried forward to FY 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$423,231</u>

For the fiscal year 2000, the District was not required by State law to set-aside monies into the Budget Stabilization reserve as the District's base revenues for determining the required set-aside did not increase by at least 3% from fiscal year 1998 to 1999. Although a current year set-aside was not required, the District placed \$219,224 into the Budget Stabilization reserve to correct a shortage in the set-aside cash balance reported at June 30, 1999. The District also voluntarily set-aside the \$251,015 that would have been required to be set-aside had the base revenues increased by at least 3%. This amount is shown as Unreserved Fund Balance, Designated for Budget Stabilization. The Budget Stabilization reserve Balance of \$423,231 at June 30, 2000 properly reflects the requirements under State law.

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

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$423,231</u>
Total restricted assets	<u>\$423,231</u>

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AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	-	10.550		70,588		88,952
School Breakfast Program	05-PU-1999	10.553	10,330		10,330	
	05-PU-2000		30,301		30,301	
Total School Breakfast Program			40,631		40,631	
National School Lunch Program	03-PU-1999	10.555	20,183		20,183	
	03-PU-2000		59,382		59,382	
	04-PU-1999		70,299		70,299	
	04-PU-2000		197,926		197,926	
Total National School Lunch Program			347,790		347,790	
Total U.S. Department of Agriculture - Nutrition Cluster			388,421	70,588	388,421	88,952
<u>NATIONAL SCIENCE FOUNDATION</u>						
<i>Direct Program:</i>						
Education and Human Resources	ESI-9811786	47.076			1,735	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Pass Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education-Grants to States (IDEA Part B)	6B-SF-1999	84.027			15,254	
	6B-SF-2000		275,851		228,679	
Total Special Education Cluster			275,851		243,933	
Adult Education - State Grant Program	AB-S1-2000	84.002	36,000		33,195	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-1999	84.010	62,204		116,394	
	C1-S1-2000		416,998		403,371	
Total Grants to Local Educational Agencies			479,202		519,765	
Safe and Drug Free Schools and Communities State Grants	DR-S1-1999	84.186			15,647	
	DR-S1-2000		21,706		19,626	
Total Drug Free Schools and Communities			21,706		35,273	
Goals 2000 State and Local Education Systemic Improvement	G2-S2-1999	84.276	3,000		8,807	
Innovative Education Program Strategies	C2-S1-1999	84.298	3,740		876	
	C2-S1-2000		27,927		26,493	
Total Education Program Strategies			31,667		27,369	
Class Size Reduction (TitleVIR)	CR-S1-2000	84.340	93,248		93,248	
Total Department of Education			940,674		961,590	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Pass Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program - CAFS		93.778	16,328		27,486	
Totals			1,345,423	70,588	1,379,232	88,952

The accompanying notes to this schedule are an integral part of this schedule.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY
FISCAL YEAR ENDED JUNE 30, 2000**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Austintown Local School District
Mahoning County
225 Idaho Road
Austintown, Ohio 44515

To the Board of Education:

We have audited the financial statements of Austintown Local School District, Mahoning County, as of and for the year ended June 30, 2000, and have issued our report thereon dated March 5, 2001. 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 Austintown Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of Austintown Local School District in a separate letter dated March 5, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Austintown Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Austintown Local School District in a separate letter dated March 5, 2001.

Board of Education
Austintown Local School District
Mahoning County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of 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

March 5, 2001



STATE OF OHIO
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Austintown Local School District
Mahoning County
225 Idaho Road
Austintown, Ohio 44515

To the Board of Education:

Compliance

We have audited the compliance of Austintown Local 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 program for the year ended June 30, 2000. Austintown Local School District's major federal program is 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 each of its major federal programs is the responsibility of Austintown Local School District's management. Our responsibility is to express an opinion on Austintown Local 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 the 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 Austintown Local 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 Austintown Local School District's compliance with those requirements.

In our opinion, Austintown Local 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, 2000.

Internal Control Over Compliance

The management of Austintown Local 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 Austintown Local 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.

Board of Education
Austintown Local School District
Mahoning County
Report on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk 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

March 5, 2001

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY
FISCAL YEAR END**

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 material non-compliance at the financial statement level (GAGAS)?	No
(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):	Nutrition Cluster 10.550 10.553 10.555
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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AUSTINTOWN LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2001**