



**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Seneca East Local School District
Seneca County
109 Seneca Street
P. O. Box 462
Attica, Ohio 44807-0462

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Seneca East Local School District, Seneca 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 Seneca East Local School District, Seneca County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2000, 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

December 19, 2000

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**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$387,956	\$59,215	\$3,709	\$92,023
Cash with fiscal agent		931		
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	1,714,432			119,353
Accounts	1,128	440		
Accrued interest	340			
Interfund loan receivable	23,417			
Due from other governments	600	1,000		
Prepayments	18,137			
Materials and supplies inventory	25,763			
Restricted assets:				
Equity in pooled cash and cash equivalents	103,653			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in debt service fund for retirement of debt				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	\$2,275,426	\$61,586	\$3,709	\$211,376

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$2,566	\$128,424			\$673,893 931
				1,833,785
4				1,572
				340
				23,417
5,622				7,222
				18,137
11,133				36,896
				103,653
32,326		\$3,851,861		3,884,187
			\$3,709	3,709
			541,593	541,593
\$51,651	\$128,424	\$3,851,861	\$545,302	\$7,129,335

(Continued)

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$15,152	\$4,948		\$6,512
Accrued wages and benefits	478,082	20,293		
Compensated absences payable	10,166			
Pension obligation payable	87,888	4,024		
Interfund loan payable		5,500		
Deferred revenue	1,558,707			108,512
Due to students				
Energy conservation loans payable				
Total liabilities	2,149,995	34,765		115,024
Equity and other credits:				
Investment in general fixed assets				
Contributed capital				
Retained earnings (accumulated deficit):				
unreserved				
Fund balances:				
Reserved for encumbrances	93,209	11,146		20,125
Reserved for prepayments	18,137			
Reserved for materials and supplies inventory	25,763			
Reserved for debt service			\$3,709	
Reserved for tax revenue unavailable for appropriation	155,725			10,841
Reserved for budget stabilization	68,606			
Reserved for textbooks	35,047			
Unreserved-undesignated (deficit)	(271,056)	15,675		65,386
Total equity and other credits	125,431	26,821	3,709	96,352
Total liabilities, equity and other credits	\$2,275,426	\$61,586	\$3,709	\$211,376

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			
				\$27,204
\$592				514,527
16,152			\$420,112	441,962
11,684			66,925	172,166
13,329	\$6,000			23,417
11,917				1,675,459
8,240	34,805			34,805
			58,265	58,265
61,914	40,805		545,302	2,947,805
		\$3,851,861		3,851,861
11,699				11,699
(21,962)				(21,962)
				124,480
				18,137
				25,763
				3,709
				166,566
				68,606
				35,047
	87,619			(102,376)
(10,263)	87,619	3,851,861		4,181,530
\$51,651	\$128,424	\$3,851,861	\$545,302	\$7,129,335

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$1,725,990	
Tuition	129,932	\$548
Earnings on investments	26,498	
Extracurricular	41	105,103
Gifts and donations		125
Other local revenues	76,096	
Other revenue		2,000
Intergovernmental - State	3,818,693	50,231
Intergovernmental - Federal		226,083
	5,777,250	384,090
Expenditures:		
Current:		
Instruction:		
Regular	3,027,194	66,298
Special	307,749	98,908
Vocational	213,993	
Other	7,750	
Support services:		
Pupil	135,156	137,406
Instructional staff	189,090	17,947
Board of Education	155,517	
Administration	452,561	7,705
Fiscal	186,680	450
Operations and maintenance	517,595	
Pupil transportation	361,392	1,062
Central		586
Community services		61
Extracurricular activities	145,722	95,498
Facilities acquisition and construction	1,975	
Debt service:		
Principal retirement		
Interest and fiscal charges		
	5,702,374	425,921
Excess (deficiency) of revenues over (under) expenditures	74,876	(41,831)
Other financing sources (uses):		
Operating transfers in		
Operating transfers out	(16,781)	
Proceeds from loans	30,000	
Proceeds from sale of fixed assets	75	
	13,294	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	88,170	(41,831)
Fund balances, July 1	32,108	68,652
Increase in reserve for inventory	5,153	
Fund balances, June 30	\$125,431	\$26,821

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

		Fiduciary Fund Type	
Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
	\$114,983		\$1,840,973
	1,363	\$1,583	130,480
		10,833	29,444
			105,144
			10,958
			76,096
	52,965		2,000
			3,921,889
			226,083
	<u>169,311</u>	<u>12,416</u>	<u>6,343,067</u>
	23,389		3,116,881
			406,657
		2,000	213,993
			9,750
	1,291		272,562
			208,328
			155,517
			460,266
			187,130
			517,595
			362,454
			586
	1,037		1,098
			241,220
	193,169		195,144
\$10,474			10,474
2,598			2,598
<u>13,072</u>	<u>218,886</u>	<u>2,000</u>	<u>6,362,253</u>
<u>(13,072)</u>	<u>(49,575)</u>	<u>10,416</u>	<u>(19,186)</u>
16,781			16,781
			(16,781)
			30,000
			75
<u>16,781</u>			<u>30,075</u>
3,709	(49,575)	10,416	10,889
	145,927	77,203	323,890
			5,153
<u>\$3,709</u>	<u>\$96,352</u>	<u>\$87,619</u>	<u>\$339,932</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$1,673,000	\$1,761,459	\$88,459
Tuition	167,500	131,217	(36,283)
Earnings on investments	32,600	26,399	(6,201)
Extracurricular	50	41	(9)
Gifts and donations			
Other local revenues	121,380	75,100	(46,280)
Other revenue			
Intergovernmental - State	3,744,186	3,795,287	51,101
Intergovernmental - Federal			
Total revenues	<u>5,738,716</u>	<u>5,789,503</u>	<u>50,787</u>
Expenditures:			
Instruction:			
Regular	3,047,966	3,022,213	25,753
Special	313,600	308,617	4,983
Vocational	242,400	218,689	23,711
Other	6,200	3,175	3,025
Support services:			
Pupil	143,301	134,416	8,885
Instructional staff	210,900	191,133	19,767
Board of Education	168,210	165,415	2,795
Administration	474,495	459,930	14,565
Fiscal	190,600	188,338	2,262
Operations and maintenance	623,447	551,962	71,485
Pupil transportation	431,789	411,569	20,220
Central			
Community services			
Extracurricular activities	150,000	145,342	4,658
Facilities acquisition and construction	10,871	3,501	7,370
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>6,013,779</u>	<u>5,804,300</u>	<u>209,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,063)</u>	<u>(14,797)</u>	<u>260,266</u>
Other financing sources (uses):			
Refund of prior year's expenditures	4,000	30,648	26,648
Refund of prior year's (receipts)	(5,000)	(4,564)	436
Operating transfers in	1,571	40,630	39,059
Operating transfers (out)	(57,630)	(57,411)	219
Advances in	10,750	10,750	
Advances (out)	(25,000)	(23,000)	2,000
Proceeds of sale of fixed assets	100	75	(25)
Proceeds from loans	30,000	30,000	
Total other financing sources (uses)	<u>(41,209)</u>	<u>27,128</u>	<u>68,337</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(316,272)</u>	<u>12,331</u>	<u>328,603</u>
Fund balances, July 1	349,537	349,537	
Prior year encumbrances appropriated	29,790	29,790	
Fund balances, June 30	<u>\$63,055</u>	<u>\$391,658</u>	<u>\$328,603</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$650	\$548	(\$102)			
107,290	107,414	124			
450	125	(325)			
2,000	2,000				
49,230	49,230				
220,470	219,336	(1,134)			
<u>380,090</u>	<u>378,653</u>	<u>(1,437)</u>			
100,883	63,824	37,059			
106,660	97,055	9,605			
138,871	138,645	226			
16,874	11,331	5,543			
7,300	7,300				
450	450				
25	21	4			
799	587	212			
117,534	109,324	8,210			
			14,707	10,474	4,233
			3,648	2,598	1,050
<u>489,396</u>	<u>428,537</u>	<u>60,859</u>	<u>18,355</u>	<u>13,072</u>	<u>5,283</u>
<u>(109,306)</u>	<u>(49,884)</u>	<u>59,422</u>	<u>(18,355)</u>	<u>(13,072)</u>	<u>5,283</u>
(9,650)	(9,650)		18,438	16,781	(1,657)
	5,500	5,500			
<u>(9,650)</u>	<u>(4,150)</u>	<u>5,500</u>	<u>18,438</u>	<u>16,781</u>	<u>(1,657)</u>
(118,956)	(54,034)	64,922	83	3,709	3,626
90,880	90,880				
7,301	7,301				
<u>(\$20,775)</u>	<u>\$44,147</u>	<u>\$64,922</u>	<u>\$83</u>	<u>\$3,709</u>	<u>\$3,626</u>

(Continued)

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
Revenues:			
From local sources:			
Taxes	\$118,500	\$117,196	(\$1,304)
Tuition			
Earnings on investments	500	1,364	864
Extracurricular			
Gifts and donations			
Other local revenues			
Other revenue			
Intergovernmental - State	84,596	82,965	(1,631)
Intergovernmental - Federal			
Total revenues	<u>203,596</u>	<u>201,525</u>	<u>(2,071)</u>
Expenditures:			
Instruction:			
Regular	41,982	23,389	18,593
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff	9,314	1,292	8,022
Board of Education			
Administration			
Fiscal			
Operations and maintenance			
Pupil transportation			
Central			
Community services	36,282	31,494	4,788
Extracurricular activities			
Facilities acquisition and construction	259,729	213,684	46,045
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>347,307</u>	<u>269,859</u>	<u>77,448</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,711)</u>	<u>(68,334)</u>	<u>75,377</u>
Other financing sources (uses):			
Refund of prior year's expenditures			
Refund of prior year's (receipts)			
Operating transfers in	10,968		(10,968)
Operating transfers (out)			
Advances in			
Advances (out)			
Proceeds of sale of fixed assets			
Proceeds from loans			
Total other financing sources (uses)	<u>10,968</u>		<u>(10,968)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(132,743)	(68,334)	64,409
Fund balances, July 1	(22,597)	(22,597)	
Prior year encumbrances appropriated	156,317	156,317	
Fund balances, June 30	<u><u>\$977</u></u>	<u><u>\$65,386</u></u>	<u><u>\$64,409</u></u>

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

Total (Memorandum only)

Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$1,791,500	\$1,878,655	\$87,155
168,150	131,765	(36,385)
33,100	27,763	(5,337)
107,340	107,455	115
450	125	(325)
121,380	75,100	(46,280)
2,000	2,000	
3,878,012	3,927,482	49,470
220,470	219,336	(1,134)
6,322,402	6,369,681	47,279
3,190,831	3,109,426	81,405
420,260	405,672	14,588
242,400	218,689	23,711
6,200	3,175	3,025
282,172	273,061	9,111
237,088	203,756	33,332
168,210	165,415	2,795
481,795	467,230	14,565
191,050	188,788	2,262
623,447	551,962	71,485
431,814	411,590	20,224
799	587	212
36,282	31,494	4,788
267,534	254,666	12,868
270,600	217,185	53,415
14,707	10,474	4,233
3,648	2,598	1,050
6,868,837	6,515,768	353,069
(546,435)	(146,087)	400,348
4,000	30,648	26,648
(14,650)	(14,214)	436
30,977	57,411	26,434
(57,630)	(57,411)	219
10,750	16,250	5,500
(25,000)	(23,000)	2,000
100	75	(25)
30,000	30,000	
(21,453)	39,759	61,212
(567,888)	(106,328)	461,560
417,820	417,820	
193,408	193,408	
\$43,340	\$504,900	\$461,560

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$17,301
Sales/charges for services	229,582
	246,883
Total operating revenues	246,883
Operating expenses:	
Personal services	170,546
Contract services	4,078
Materials and supplies	155,777
Depreciation	4,945
Other operating expenses	225
	335,571
Total operating expenses	335,571
Operating loss	(88,688)
Nonoperating revenues:	
Operating grants	49,557
Federal commodities	20,066
	69,623
Total nonoperating revenues	69,623
Net loss	(19,065)
Retained earnings at July 1	(2,897)
Retained earnings at June 30	(21,962)
Contributed capital at June 30	11,699
Total fund equity at June 30	(\$10,263)

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$18,153
Cash received from sales/service charges	229,932
Cash payments for personal services	(167,516)
Cash payments for contract services	(3,486)
Cash payments for materials and supplies	(135,964)
Cash payments for other expenses	(225)
	(59,106)
Net cash used in operating activities	(59,106)
Cash flows from noncapital financing activities:	
Cash received from operating grants	50,372
Cash received from interfund loans	11,500
Cash used in repayment of interfund loans	(340)
	61,532
Net cash provided by noncapital financing activities	61,532
Net increase in cash and cash equivalents	2,426
Cash and cash equivalents at beginning of year	140
	2,566
Cash and cash equivalents at end of year	\$2,566
Reconciliation of operating loss net cash used in operating activities:	
Operating loss	(\$88,688)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,945
Federal donated commodities	20,066
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(2,226)
Decrease in accounts receivable	1,202
Decrease in prepayments	2,262
Increase in accounts payable	592
Decrease in accrued wages and benefits	(175)
Increase in compensated absences payable	3,334
Decrease in pension obligation payable	(2,391)
Increase in deferred revenue	1,973
	1,973
Net cash used in operating activities	(\$59,106)

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

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**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1971. The District serves an area of approximately one hundred fifty-four square miles and is located in Seneca and Huron Counties. The District is the 466th largest in the State of Ohio (among the 660 public and community school districts) in terms of enrollment. It is staffed by 52 classified employees and 73 certified teaching personnel who provide services to 1,143 students and other community members. The District currently operates two elementary schools, an elementary/junior high school, a high school, and an administration building.

NOTE 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 District'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.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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Public Entity Risk Pools

North Central Ohio Joint Self-Insurance Association (the Association)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts - Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to § 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 11 for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in § 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11 for further information on this group rating plan.

Jointly Governed Organizations

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$24,945 to NOECA in fiscal year 2000 for services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

The Vanguard-Sentinel Career Centers is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from the Seneca East Local School District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The degree of control exercised by any participating school district is limited to its representation on the Board. The Career Center is its own budgeting and taxing authority. Financial information can be obtained from Jay Valasek, Vanguard-Sentinel Career Center, 1306 Cedar Street, Fremont, Ohio 43420.

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Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. Financial information can be obtained from the Erie County Educational Service Center, who serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

Related Organization

Seneca East Public Library

The Seneca East Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Seneca East Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Seneca East Public Library, Ernestine Walliser, who serves as Clerk-Treasurer, 14 North Main Street, Attica, Ohio 44807.

B. Fund Accounting

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

1. Governmental Funds

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

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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.

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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).

2. Proprietary Funds

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

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

3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are accounted for on the budgetary basis. See Note 3.B. for an analysis of the agency fund accruals which, in other fund types, would be recognized on the combined balance sheet.

4. Account Groups

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

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 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 the expendable trust fund 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

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increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the 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 all governmental funds and the expendable trust fund. 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.

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

D. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2000 is as follows:

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

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2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the general fund and the fund level of expenditures for all other budgeted funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any function appropriations within the general fund or alter the fund appropriation for all other budgeted funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at fund and function level of expenditures for the general fund and at the fund level of expenditures for all other budgeted funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for governmental fund types at fiscal year end and Note 12 discloses the encumbrances outstanding for the enterprise funds.

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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.

Cash and cash equivalents held for the District by the North Central Ohio Educational Service Center are included on the combined balance sheet as "Cash with Fiscal Agent".

During fiscal year 2000, investments were limited to a certificate of deposit. This investment is reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2000, interest revenue credited to the general fund amounted to \$26,498, which includes \$9,225 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the 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

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

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective funds. All fixed assets are capitalized at cost (or

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estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair value as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to the enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of eight to twenty years.

I. 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 for proprietary fund operations are recognized as 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
- School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- Education Management Information Systems
- WSOS
- Eisenhower
- Ohio Reads
- Title VI-B
- Title I
- Title VI
- Drug Free
- Preschool
- Safe School Helpline
- Title VI-R
- SchoolNet Professional Development

Capital Projects Funds

- SchoolNet Plus
- Technology Equity
- Long Distance Learning

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Reimbursable Grants

General Fund

Driver Education

Enterprise Fund

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 63% of the District's operating revenue during the 2000 fiscal year.

J. Compensated Absences

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

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

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, materials and supplies inventory, prepayments, tax advance unavailable for appropriation, budget stabilization and textbooks. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. Interfund Transactions

During the course of normal operations, the District has 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 are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and 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.

An analysis of interfund transactions is presented in Note 5.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to create reserves for budget stabilization and textbooks. A schedule of statutory reserves is presented in Note 17.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

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P. 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.

Q. Other Local Revenues

The revenue line item "Other Local Revenues" includes income derived from rental activities, services provided to other entities, customer services and other miscellaneous revenue.

R. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

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

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$55
Title I	10,270
<u>Enterprise Funds</u>	
Food Service	18,978
Uniform School Supplies	2,984

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

The deficit fund balances in the Title I and Management Information Systems special revenue funds are caused by accruing wage, benefit and retirement 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 Uniform School Supplies enterprise fund is caused by the recognition of an interfund loan as a fund liability rather than as an "other financing source". This deficit will be eliminated as resources became available for repayment of the interfund loan.

The deficit retained earnings in the Food Service enterprise fund is a result of accruing wage, benefit, retirement obligations in accordance with GAAP. This deficit will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

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B. Agency Fund

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

<u>Assets</u>	
Accounts receivable	\$125
<u>Liabilities</u>	
Accounts payable	\$3,488

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

Interim monies may be 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

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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 instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on hand: At fiscal year end, the District had \$2,420 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

Cash with Fiscal Agent: At fiscal year end, the District had \$931 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "Cash with Fiscal Agent". The Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

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, including non-negotiable certificates of deposit, was \$775,126 and the bank balance, including non-negotiable certificates of deposit, was \$825,885. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$525,885 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non compliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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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.

NOTE 5 - INTERFUND TRANSACTIONS

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

	Transfers In	Transfers (Out)
General Fund		\$16,781
Debt Service Fund	\$16,781	
Totals	\$16,781	\$16,781

B. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	\$23,417	
Special Revenue		
Athletics		\$5,500
Enterprise Funds		
Uniform School Supplies		4,000
Food Service		7,917
Agency Funds		
Student Activities		6,000
Total	\$23,417	\$23,417

NOTE 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.

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 \$81,304,184. Agricultural/Residential and public utility real estate represented 79.9% or \$64,973,790 of this total; Commercial and Industrial real estate represented 4.6% or \$3,770,734 of this total, public utility tangible represented 12.5% or \$10,139,770 of this total and general tangible property represented 3.0% or \$2,419,890 of this total. The voted general tax rate at the fiscal year ended June 30,

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2000 was \$38.30 per \$1,000.00 of assessed valuation for operations and \$2.00 per \$1,000.00 of assessed valuation for permanent improvements.

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 Seneca and Huron County Treasurers collect property tax on behalf of the District and periodically remit, 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. A total of \$166,566 available to the District as an advance at June 30, and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance. The District is prohibited, by law, from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$1,714,432
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	119,353
 <u>Enterprise Funds</u>	
Due from other governments	5,622

NOTE 8 - FIXED ASSETS

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	Balance <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2000</u>
Land/Improvements	\$104,539			\$104,539
Buildings/Improvements	1,105,524	\$319,348		1,424,872
Furniture/Fixtures/Equipment	1,073,972	38,494	(\$3,180)	1,109,286
Books	407,611	3,525		411,136
Vehicles	802,028			802,028
Construction in Progress	<u>214,282</u>	<u>62,797</u>	<u>(277,079)</u>	
Totals	<u>\$3,707,956</u>	<u>\$424,164</u>	<u>(\$280,259)</u>	<u>\$3,851,861</u>

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

Furniture and Equipment	\$95,354
Less: Accumulated Depreciation	<u>63,028</u>
Net Fixed Assets	<u>\$32,326</u>

NOTE 9 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two-hundred twenty-five days for school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-six and one-quarter days.

B. Health Care Benefits

The District provides medical, dental, and life insurance to all employees through the North Central Ohio Joint Self-Insurance Association. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

NOTE 10 - LONG-TERM OBLIGATIONS

- A.** 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 and the pension obligations will be paid from the fund in which the employee was paid.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Compensated absences	\$377,543	\$42,569		\$420,112
Pension Obligation Payable	67,774		(\$849)	66,925
Energy Conservation loan payable 5.00%	38,739		(7,878)	30,861
Energy conservation loan payable 5.35%		30,000	(2,596)	27,404
Total	<u>\$484,056</u>	<u>\$72,569</u>	<u>(\$11,323)</u>	<u>\$545,302</u>

FY1994 Energy Conservation Loan - On November 15, 1993, the School District obtained a loan, in the amount of \$75,547, from Sutton Bank to provide energy conservation measures for the School District. The loan was issued under the authority of Ohio Revised Code § 133.06 for a ten year period, with final maturity in fiscal year 2004. The loan is being retired through the Bond Retirement debt service fund.

FY 2000 Energy Conservation Loan - On November 16, 1999, the District obtained a loan, in the amount of \$30,000, from Sutton Bank to provide funds for an energy conservation lighting project for the District. The loan was issued under the authority of Ohio Revised Code § 133.06 for a five year period, with final maturity in fiscal year 2005. The loan is being retired through the Bond Retirement debt service fund.

Compensated absences and pension obligations, representing the District's contractually required pension contribution, will be paid from the fund from which the employees' salaries are paid. Compensated absences are presented net of actual increases and decrease due to the practicality of determining these values.

Principal and interest requirements to retire the energy conservation loans outstanding at June 30, 2000, are as follows:

Year Ending June 30	Principal	Interest	Total
2001	\$13,875	\$2,629	\$16,504
2002	14,459	2,045	16,504
2003	15,308	1,196	16,504
2004	11,243	441	11,684
2005	3,380	53	3,433
Total	<u>\$58,265</u>	<u>\$6,364</u>	<u>\$64,629</u>

B. 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 \$7,317,377 and an unvoted debt margin of \$81,304.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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 for the following insurance coverages:

Coverages provided by Lindsey Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$13,018,900
Inland Marine Coverage (\$250 deductible)	506,734
Musical Instruments	173,837
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	5,000

Coverages provided by Nationwide Insurance are as follows:

General Liability	
Per Occurrence	1,000,000
Total per Year	5,000,000
Umbrella Liability	2,000,000
Fire Damage (any one fire)	100,000
Medical Expense (any one person)	5,000

Coverages provided by Farmers Mutual Insurance Association are as follows:

Farm Buildings and Contents (\$100 deductible)	\$101,900
Crop Hailstorm	17,500

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

B. Health Insurance

The District joined together with other area school districts to form the North Central Ohio Joint-Self Insurance Association, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below 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 Supply</u>	<u>Total</u>
Operating Revenues	\$229,582	\$17,301	\$246,883
Operating Expenses Before Depreciation	309,689	20,937	330,626
Depreciation	4,945		4,945
Operating Loss	(85,052)	(3,636)	(88,688)
Operating Grants	49,557		
Federal Donated Commodities	20,066		20,066
Net Loss	(15,429)	(3,636)	(19,065)
Net Working Capital	(27,921)	(2,984)	(30,905)
Total Assets	50,635	1,016	51,651
Total Liabilities	57,914	4,000	61,914
Contributed Capital	11,699		11,699
Total Equity	(7,279)	(2,984)	(10,263)
Encumbrances	404	285	689

NOTE 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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 \$108,884, \$59,780, and \$62,837, respectively; 34 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$71,856, 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; 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 \$411,507, \$165,904, and \$276,780, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$70,816, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 \$235,147 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 \$99,377 during the 2000 fiscal year.

NOTE 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);

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(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				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$12,331	(\$54,034)	\$3,709	(\$68,334)
Net adjustment for revenue accruals	(12,253)	5,437		(32,214)
Net adjustment for expenditure accruals	1,975	(12,452)		24,336
Net adjustment for other financing sources/(uses)	(13,834)	4,150		
Encumbrances (budget basis)	99,951	15,068		26,637
GAAP Basis	\$88,170	(\$41,831)	\$3,709	(\$49,575)

NOTE 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.

B. Litigation

The District is not involved in litigation as either plaintiff or defendant.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in 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 \$3,543,681 of school foundation support for its general fund.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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.

NOTE 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			\$27,976
Current Year Set-aside Requirement	\$121,889	\$121,889	40,630
Current Year Offsets		(131,689)	
Qualifying Disbursements	<u>(86,842)</u>		
Total	<u>\$35,047</u>	<u>(\$9,800)</u>	<u>\$68,606</u>
Cash Balance Carried Forward to FY 2001	<u>\$35,047</u>		<u>\$68,606</u>

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

Amount restricted for budget stabilization	\$68,606
Amount restricted for textbooks	<u>35,047</u>
Total restricted assets	<u>\$103,653</u>

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**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA 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
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program		10.550
National School Lunch Program	049684-03-PU-0000 049684-04-PU-0000	10.555
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Special Education Grants to States (IDEA Part B)	049684-6B-SF-1999 049684-6B-SF-2000	84.027
Eisenhower Professional Development State Grants	049684-MS-S1-1999 049684-MS-S1-2000	84.281
Grants to Local Educational Agencies (ESEA Title I)	049684-C1-S1-1999 049684-C1-S1-2000	84.010
Innovative Educational Program Strategies	049684-C2-S1-1999 049684-C2-S1-2000	84.298
Drug-Free Schools Grant	049684-DR-S1-1999 049684-DR-S1-2000	84.186
Class Size Reduction Grant	049684-CR-S1-1999 049684-CR-S1-2000	84.340
Total Department of Education		

Totals

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

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$21,640		\$21,640
\$21,159		\$21,159	
<u>27,241</u>		<u>27,241</u>	
48,400	21,640	48,400	21,640
		61,004	
72,076		<u>72,076</u>	
<u>72,076</u>		133,080	
		205	
4,640		<u>4,237</u>	
<u>4,640</u>		4,442	
8,910		11,213	
95,448		<u>85,842</u>	
<u>104,358</u>		97,055	
743		332	
5,223		<u>3,019</u>	
<u>5,966</u>		3,351	
		2,868	
5,010		<u>4,327</u>	
<u>5,010</u>		7,195	
		10,000	
27,287		<u>18,805</u>	
<u>27,287</u>		28,805	
219,337		<u>273,928</u>	
<u>\$267,737</u>	<u>\$21,640</u>	<u>\$322,328</u>	<u>\$21,640</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary 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.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Seneca East Local School District
Seneca County
109 Seneca Street
P.O. Box 462
Attica, Ohio 44807-0462

To the Board of Education:

We have audited the financial statements of Seneca East Local School District, Seneca County, (the School District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board of Education'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 certain immaterial instances of noncompliance that we have reported to management of Seneca East Local School District in a separate letter dated December 19, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Education'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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Board of Education in a separate letter dated December 19, 2000.

Seneca East Local School District
Seneca County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 19, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Seneca East Local School District
Seneca County
109 Seneca Street
P.O. Box 462
Attica, Ohio 44807-0462

To the Board of Education:

Compliance

We have audited the compliance of Seneca East Local School District, Seneca County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 19, 2000

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

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 noncompliance 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: Food Distribution CFDA #10.550 National School Lunch CFDA #10.555 Special Education: Grants to States CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-10574-001	ORC § 5705.41(B) Expenditures exceeded appropriations throughout the year.	Yes	
1999-10574-002	ORC § 5705.412 The Treasurer had not issued certificates that the school district had sufficient sources available to enable the district to operate and educational program for all the days set forth in its adopted school calendars for the current fiscal year and for the number of days in the succeeding fiscal years equal to the number of days instruction that was held or scheduled for the current year.	Yes	
1999-10574-002	ORC § 5705.39 Appropriations exceeded the total estimated resources.	Yes	



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SENECA EAST LOCAL SCHOOL DISTRICT

SENECA 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
JANUARY 16, 2001**