

**Lennon & Company**

Certified Public Accountant

*Ashland City School District*  
**Independent Auditor's Report**  
**For Fiscal Year Ended June 30, 2001**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

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Members of the Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

We have reviewed the Independent Auditor's Report of the Ashland City School District, Ashland County, prepared by Lennon & Company, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

January 14, 2002

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**ASHLAND CITY SCHOOL DISTRICT**  
General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805


We have audited the accompanying general purpose financial statements of Ashland City School District, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of Ashland City School 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 auditing standards generally accepted in the United States of America 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 Ashland City School District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2001 on our consideration of Ashland City School 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 Ashland City School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



LENNON & COMPANY  
Certified Public Accountant  
November 9, 2001

**Ashland City School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2001**

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits:</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 2,774,900	\$ 483,466	\$ 936,562	\$ 278,196
Cash and cash equivalents with escrow agents	-	-	301,661	85,662
Investments				
In segregated accounts	-	-	-	-
With fiscal agents	-	-	200,500	-
Receivables:				
Taxes	14,824,227	-	30,439	388,738
Accounts	6,096	2,407	-	-
Intergovernmental	13,094	12,985	-	-
Accrued interest	-	-	6,449	-
Interfund receivable	26,523	-	-	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Equity in pooled cash and cash equivalents (restricted)	367,533	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
<u>Other debits:</u>				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	<u>\$ 18,012,373</u>	<u>\$ 498,858</u>	<u>\$ 1,475,611</u>	<u>\$ 752,596</u>
<u>Liabilities, fund equity and other credits:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 148,247	\$ 18,724	\$ -	\$ 13,825
Accrued wages	1,791,147	98,463	-	-
Compensated absences payable	395,331	4,717	-	-
Interfund payable	-	1,149	-	25,374
Intergovernmental payable	543,625	23,411	-	-
Deferred revenue	13,177,655	2,746	30,439	388,738
Due to students	-	-	-	-
Claims payable	-	-	-	-
Capital leases payable	-	-	-	-
Energy conservation bonds payable	-	-	-	-
Certificates of participation	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	<u>16,056,005</u>	<u>149,210</u>	<u>30,439</u>	<u>427,937</u>
<u>Fund equity and other credits:</u>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	199,852	55,590	-	53,405
Reserved for endowment	-	-	-	-
Reserved for debt service	-	-	1,445,172	-
Reserved for bus purchases	40,877	-	-	-
Reserved for budget stabilization	138,734	-	-	-
Unreserved:				
Designated for budget stabilization	187,922	-	-	-
Undesignated	1,388,983	294,058	-	271,254
Total fund equity and other credits	<u>1,956,368</u>	<u>349,648</u>	<u>1,445,172</u>	<u>324,659</u>
Total liabilities, fund equity and other credits	<u>\$ 18,012,373</u>	<u>\$ 498,858</u>	<u>\$ 1,475,611</u>	<u>\$ 752,596</u>



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 12,713	\$ 1,257,668	\$ 98,388	\$ -	\$ -	\$ 5,841,893
-	-	-	-	-	387,323
-	-	303,983	-	-	303,983
-	-	-	-	-	200,500
-	-	-	-	-	15,243,404
549	-	2,123	-	-	11,175
-	-	-	-	-	26,079
-	-	-	-	-	6,449
-	-	-	-	-	26,523
31,233	-	-	-	-	31,233
2,765	-	-	-	-	2,765
-	-	-	-	-	367,533
165,405	-	-	27,811,471	-	27,976,876
-	-	-	-	1,445,172	1,445,172
-	-	-	-	5,511,515	5,511,515
<u>\$ 212,665</u>	<u>\$ 1,257,668</u>	<u>\$ 404,494</u>	<u>\$ 27,811,471</u>	<u>\$ 6,956,687</u>	<u>\$ 57,382,423</u>
\$ 1,292	\$ -	\$ 6,051	\$ -	\$ -	\$ 188,139
59,428	100	-	-	-	1,949,138
64,967	140	-	-	1,950,465	2,415,620
-	-	-	-	-	26,523
26,521	206	-	-	172,985	766,748
28,563	-	-	-	-	13,628,141
-	-	50,279	-	-	50,279
-	401,669	-	-	-	401,669
-	-	-	-	193,237	193,237
-	-	-	-	200,000	200,000
-	-	-	-	3,680,000	3,680,000
-	-	-	-	760,000	760,000
<u>180,771</u>	<u>402,115</u>	<u>56,330</u>	<u>-</u>	<u>6,956,687</u>	<u>24,259,494</u>
-	-	-	27,811,471	-	27,811,471
129,870	-	-	-	-	129,870
(97,976)	855,553	-	-	-	757,577
-	-	425	-	-	309,272
-	-	303,983	-	-	303,983
-	-	-	-	-	1,445,172
-	-	-	-	-	40,877
-	-	-	-	-	138,734
-	-	-	-	-	187,922
-	-	43,756	-	-	1,998,051
<u>31,894</u>	<u>855,553</u>	<u>348,164</u>	<u>27,811,471</u>	<u>-</u>	<u>33,122,929</u>
<u>\$ 212,665</u>	<u>\$ 1,257,668</u>	<u>\$ 404,494</u>	<u>\$ 27,811,471</u>	<u>\$ 6,956,687</u>	<u>\$ 57,382,423</u>

***Ashland City School District***  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues:</u>				
Property and other local taxes	\$ 12,347,361	\$ -	\$ 923,320	\$ 285,900
Intergovernmental	10,315,412	1,612,986	11,309	82,213
Interest	404,369	2,610	27,739	7,264
Tuition and fees	671,290	-	-	-
Extracurricular activities	48,123	343,757	-	-
Gifts and donations	-	5,000	-	-
Miscellaneous	168,129	35,691	-	-
Total revenues	<u>23,954,684</u>	<u>2,000,044</u>	<u>962,368</u>	<u>375,377</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	11,850,619	307,730	-	53,614
Special	2,165,729	504,621	-	-
Vocational	955,723	8,799	-	26,643
Other	592,542	-	-	-
Support services:				
Pupils	1,281,155	52,400	-	-
Instructional staff	833,920	409,081	-	21,481
Board of education	98,360	-	-	-
Administration	1,755,789	179,232	-	-
Fiscal	478,725	-	-	6,443
Business	220,736	26,128	-	-
Operation and maintenance of plant	2,032,892	9,881	-	9,000
Pupil transportation	765,168	1,082	-	-
Central	176,250	49,898	-	-
Operation of non-instructional services	-	238,868	-	-
Extracurricular activities	284,194	267,736	-	-
Capital outlay	25,566	-	-	325,948
Debt service:				
Principal retirement	40,755	-	605,000	-
Interest and fiscal charges	22,080	-	369,671	-
Total expenditures	<u>23,580,203</u>	<u>2,055,456</u>	<u>974,671</u>	<u>443,129</u>
Excess of revenues over (under) expenditures	<u>374,481</u>	<u>(55,412)</u>	<u>(12,303)</u>	<u>(67,752)</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of fixed assets	2,098	-	-	-
Operating transfers in	188	-	96,182	-
Operating transfers out	(103,647)	(188)	-	-
Total other financing sources (uses)	<u>(101,361)</u>	<u>(188)</u>	<u>96,182</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	273,120	(55,600)	83,879	(67,752)
Fund balances at beginning of year	1,683,248	405,248	1,361,293	392,411
Fund balances at end of year	<u>\$ 1,956,368</u>	<u>\$ 349,648</u>	<u>\$ 1,445,172</u>	<u>\$ 324,659</u>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 13,556,581
-	12,021,920
-	441,982
-	671,290
2,213	394,093
-	5,000
259	204,079
<u>2,472</u>	<u>27,294,945</u>
-	12,211,963
-	2,670,350
-	991,165
-	592,542
-	1,333,555
-	1,264,482
-	98,360
-	1,935,021
-	485,168
1,489	248,353
-	2,051,773
-	766,250
-	226,148
-	238,868
-	551,930
-	351,514
-	645,755
-	391,751
<u>1,489</u>	<u>27,054,948</u>
<u>983</u>	<u>239,997</u>
-	2,098
-	96,370
-	(103,835)
-	(5,367)
983	234,630
3,854	3,846,054
<u>\$ 4,837</u>	<u>\$ 4,080,684</u>

***Ashland City School District***  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Budget and Actual**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types		
	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Taxes	\$ 12,959,953	\$ 12,959,953	\$ -
Intergovernmental	10,292,742	10,315,412	22,670
Interest	404,369	404,369	-
Tuition and fees	685,152	685,152	-
Extracurricular activities	48,123	48,123	-
Gifts and donations	-	-	-
Miscellaneous	159,823	159,823	-
Total revenues	<u>24,550,162</u>	<u>24,572,832</u>	<u>22,670</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,618,186	11,618,186	-
Special	2,111,559	2,111,559	-
Vocational	927,867	927,867	-
Other	619,957	619,957	-
Support services:			
Pupils	1,356,297	1,356,297	-
Instructional staff	819,550	819,550	-
Board of education	139,093	139,093	-
Administration	1,790,229	1,790,229	-
Fiscal	643,043	643,043	-
Business	221,593	221,593	-
Operation and maintenance of plant	2,038,694	2,038,694	-
Pupil transportation	751,823	751,823	-
Central	174,348	174,348	-
Operation of non-instructional services	-	-	-
Extracurricular activities	291,417	291,417	-
Capital outlay	531,031	531,031	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>24,034,687</u>	<u>24,034,687</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>515,475</u>	<u>538,145</u>	<u>22,670</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of fixed assets	2,098	2,098	-
Refund of prior year receipts	-	-	-
Advances in	23,832	23,832	-
Advances out	(26,523)	(26,523)	-
Operating transfers in	188	188	-
Operating transfers out	(218,330)	(218,330)	-
Total other financing sources (uses)	<u>(218,735)</u>	<u>(218,735)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	296,740	319,410	22,670
Fund balances at beginning of year	1,954,430	1,954,430	-
Prior year encumbrances appropriated	624,469	624,469	-
Fund balances at end of year	<u>\$ 2,875,639</u>	<u>\$ 2,898,309</u>	<u>\$ 22,670</u>

Governmental Fund Types

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 117,988	\$ 117,988	\$ -
1,602,639	1,602,747	108	11,309	11,309	-
2,610	2,610	-	-	-	-
-	-	-	-	-	-
341,350	341,350	-	-	-	-
4,988	5,000	12	-	-	-
35,691	35,691	-	-	-	-
<u>1,987,278</u>	<u>1,987,398</u>	<u>120</u>	<u>129,297</u>	<u>129,297</u>	<u>-</u>
383,297	301,478	81,819	-	-	-
621,933	528,777	93,156	-	-	-
8,799	8,799	-	-	-	-
-	-	-	-	-	-
83,775	61,152	22,623	-	-	-
480,402	446,222	34,180	-	-	-
-	-	-	-	-	-
191,916	171,848	20,068	-	-	-
-	-	-	-	-	-
29,577	29,577	-	-	-	-
9,447	9,836	(389)	-	-	-
1,358	1,217	141	-	-	-
52,191	49,329	2,862	-	-	-
265,210	260,248	4,962	-	-	-
292,006	292,006	-	-	-	-
-	-	-	-	-	-
-	-	-	285,000	285,000	-
-	-	-	94,269	94,269	-
<u>2,419,911</u>	<u>2,160,489</u>	<u>259,422</u>	<u>379,269</u>	<u>379,269</u>	<u>-</u>
<u>(432,633)</u>	<u>(173,091)</u>	<u>259,542</u>	<u>(249,972)</u>	<u>(249,972)</u>	<u>-</u>
-	-	-	-	-	-
(2,704)	(2,704)	-	-	-	-
1,149	1,149	-	-	-	-
(5,484)	(5,484)	-	-	-	-
-	-	-	210,865	210,865	-
(188)	(188)	-	-	-	-
<u>(7,227)</u>	<u>(7,227)</u>	<u>-</u>	<u>210,865</u>	<u>210,865</u>	<u>-</u>
(439,860)	(180,318)	259,542	(39,107)	(39,107)	-
502,197	502,197	-	975,669	975,669	-
87,859	87,859	-	-	-	-
<u>\$ 150,196</u>	<u>\$ 409,738</u>	<u>\$ 259,542</u>	<u>\$ 936,562</u>	<u>\$ 936,562</u>	<u>\$ -</u>

***Ashland City School District***  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Budget and Actual (Continued)**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types		
	Capital Projects Funds		Variance
	Revised Budget	Actual	Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 285,900	\$ 285,900	\$ -
Intergovernmental	82,213	82,213	-
Interest	-	-	-
Tuition and fees	-	-	-
Extracurricular activities	-	-	-
Gifts and donations	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>368,113</u>	<u>368,113</u>	<u>-</u>
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction:			
Regular	53,614	53,614	-
Special	-	-	-
Vocational	27,238	27,238	-
Other	-	-	-
Support services:			
Pupils	-	-	-
Instructional staff	32,894	30,394	2,500
Board of education	-	-	-
Administration	-	-	-
Fiscal	6,443	6,443	-
Business	-	-	-
Operation and maintenance of plant	9,000	9,000	-
Pupil transportation	-	-	-
Central	-	-	-
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	384,600	384,600	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>513,789</u>	<u>511,289</u>	<u>2,500</u>
Excess of revenues over (under) expenditures	<u>(145,676)</u>	<u>(143,176)</u>	<u>2,500</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of fixed assets	-	-	-
Refund of prior year receipts	-	-	-
Advances in	25,374	25,374	-
Advances out	(5,188)	(5,188)	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>20,186</u>	<u>20,186</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(125,490)	(122,990)	2,500
Fund balances at beginning of year	320,323	320,323	-
Prior year encumbrances appropriated	15,819	15,819	-
Fund balances at end of year	<u>\$ 210,652</u>	<u>\$ 213,152</u>	<u>\$ 2,500</u>

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust Fund					
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 13,363,841	\$ 13,363,841	\$ -
-	-	-	11,988,903	12,011,681	22,778
-	-	-	406,979	406,979	-
-	-	-	685,152	685,152	-
2,213	2,213	-	391,686	391,686	-
-	-	-	4,988	5,000	12
-	-	-	195,514	195,514	-
<u>2,213</u>	<u>2,213</u>	<u>-</u>	<u>27,037,063</u>	<u>27,059,853</u>	<u>22,790</u>
-	-	-	12,055,097	11,973,278	81,819
-	-	-	2,733,492	2,640,336	93,156
-	-	-	963,904	963,904	-
-	-	-	619,957	619,957	-
-	-	-	1,440,072	1,417,449	22,623
-	-	-	1,332,846	1,296,166	36,680
-	-	-	139,093	139,093	-
-	-	-	1,982,145	1,962,077	20,068
-	-	-	649,486	649,486	-
1,973	1,973	-	253,143	253,143	-
-	-	-	2,057,141	2,057,530	(389)
-	-	-	753,181	753,040	141
-	-	-	226,539	223,677	2,862
-	-	-	265,210	260,248	4,962
-	-	-	583,423	583,423	-
-	-	-	915,631	915,631	-
-	-	-	285,000	285,000	-
-	-	-	94,269	94,269	-
<u>1,973</u>	<u>1,973</u>	<u>-</u>	<u>27,349,629</u>	<u>27,087,707</u>	<u>261,922</u>
<u>240</u>	<u>240</u>	<u>-</u>	<u>(312,566)</u>	<u>(27,854)</u>	<u>284,712</u>
-	-	-	2,098	2,098	-
-	-	-	(2,704)	(2,704)	-
-	-	-	50,355	50,355	-
-	-	-	(37,195)	(37,195)	-
-	-	-	211,053	211,053	-
-	-	-	(218,518)	(218,518)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,089</u>	<u>5,089</u>	<u>-</u>
240	240	-	(307,477)	(22,765)	284,712
3,913	3,913	-	3,756,532	3,756,532	-
1	1	-	728,148	728,148	-
<u>\$ 4,154</u>	<u>\$ 4,154</u>	<u>\$ -</u>	<u>\$ 4,177,203</u>	<u>\$ 4,461,915</u>	<u>\$ 284,712</u>

***Ashland City School District***  
**Combined Statement of Revenues,**  
**Expenses and Changes in Retained Earnings/Fund Balance**  
**All Proprietary Fund Types and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
<u>Operating revenues:</u>				
Sales	\$ 797,279	\$ -	\$ -	\$ 797,279
Charges for services	-	2,654,420	-	2,654,420
Interest	-	-	36,064	36,064
Materials and fees	-	35,630	-	35,630
Decrease in fair value of investments	-	-	(89,547)	(89,547)
Other operating revenues	269	16,320	1,265	17,854
Total operating revenue	<u>797,548</u>	<u>2,706,370</u>	<u>(52,218)</u>	<u>3,451,700</u>
<u>Operating expenses:</u>				
Salaries	438,078	42,836	-	480,914
Fringe benefits	188,876	10,534	-	199,410
Purchased services	10,127	383,575	-	393,702
Materials and supplies	111,716	-	-	111,716
Cost of sales	450,573	-	-	450,573
Depreciation	12,727	-	-	12,727
Claims	-	2,103,728	-	2,103,728
Capital outlay	544	988	-	1,532
Other operating expenses	1,678	55,192	12,486	69,356
Total operating expenses	<u>1,214,319</u>	<u>2,596,853</u>	<u>12,486</u>	<u>3,823,658</u>
Operating income (loss)	<u>(416,771)</u>	<u>109,517</u>	<u>(64,704)</u>	<u>(371,958)</u>
<u>Non-operating revenues:</u>				
Federal donated commodities	67,398	-	-	67,398
Operating grants	316,675	-	-	316,675
Total non-operating revenues	<u>384,073</u>	<u>-</u>	<u>-</u>	<u>384,073</u>
Income (loss) before operating transfers	<u>(32,698)</u>	<u>109,517</u>	<u>(64,704)</u>	<u>12,115</u>
Operating transfers in	7,465	-	-	7,465
Net income (loss)	<u>(25,233)</u>	<u>109,517</u>	<u>(64,704)</u>	<u>19,580</u>
Retained earnings/fund balance at beginning of year	(72,743)	746,036	408,031	1,081,324
Retained earnings/fund balance at end of year	<u>\$ (97,976)</u>	<u>\$ 855,553</u>	<u>\$ 343,327</u>	<u>\$ 1,100,904</u>

See accompanying notes to the general purpose financial statements.



**Ashland City School District**  
**Combining Statement of Cash Flows**  
**All Proprietary Fund Types and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Proprietary Fund Type		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
<u>Cash flows from operating activities:</u>				
Cash received from customers	\$ 796,730	\$ -	\$ -	\$ 796,730
Cash received from other operating sources	269	-	-	269
Cash received from quasi-external transactions with other funds	-	2,719,241	35,819	2,755,060
Cash payments to suppliers for goods and services	(504,250)	(58,643)	-	(562,893)
Cash payments to employees for services	(435,329)	(42,596)	-	(477,925)
Cash payments for employee benefits	(194,997)	(2,466,215)	-	(2,661,212)
Cash payments for other operating expenses	-	-	(13,986)	(13,986)
Net cash provided by (used for) operating activities	<u>(337,577)</u>	<u>151,787</u>	<u>21,833</u>	<u>(163,957)</u>
<u>Cash flows from noncapital financing activities:</u>				
Operating grants	316,675	-	-	316,675
Transfer in	7,465	-	-	7,465
Advances out	(13,160)	-	-	(13,160)
Net cash provided by noncapital financing activities	<u>310,980</u>	<u>-</u>	<u>-</u>	<u>310,980</u>
Net increase (decrease) in cash and cash equivalents	(26,597)	151,787	21,833	147,023
Cash and cash equivalents at beginning of year	39,310	1,105,881	20,501	1,165,692
Cash and cash equivalents at end of year	<u>\$ 12,713</u>	<u>\$ 1,257,668</u>	<u>\$ 42,334</u>	<u>\$ 1,312,715</u>
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</u>				
Operating income (loss)	\$ (416,771)	\$ 109,517	\$ (64,704)	\$ (371,958)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	12,727	-	-	12,727
Federal donated commodities	67,398	-	-	67,398
Decrease (increase) in fair value of investments	-	-	89,547	89,547
Change in assets and liabilities:				
(Increase) decrease in assets:				
Inventory	(7,081)	-	-	(7,081)
Accounts receivable	(549)	12,871	(1,510)	10,812
Increase (decrease) in liabilities:				
Accounts payable	1,281	(1,013)	(1,500)	(1,232)
Accrued wages	482	100	-	582
Compensated absences payable	2,267	140	-	2,407
Intergovernmental payable	(6,121)	(707)	-	(6,828)
Claims payable	-	30,879	-	30,879
Deferred revenue	8,790	-	-	8,790
Total adjustments	<u>79,194</u>	<u>42,270</u>	<u>86,537</u>	<u>208,001</u>
Net cash provided by (used for) operating activities	<u>\$ (337,577)</u>	<u>\$ 151,787</u>	<u>\$ 21,833</u>	<u>\$ (163,957)</u>
<u>Reconciliation of combined balance sheet:</u>				
Equity in pooled cash and cash equivalents, nonexpendable trust fund		\$ 42,334		
Equity in pooled cash and cash equivalents, expendable trust fund		4,673		
Equity in pooled cash and cash equivalents, agency fund		51,381		
Total equity in pooled cash and cash equivalents, fiduciary fund type		<u>\$ 98,388</u>		

See accompanying notes to the general purpose financial statements.

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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The Ashland City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's nine instructional/support facilities staffed by 121 non-certificated employees, 283 certificated full time teaching personnel, including 18 administrators, who provide services to 3,626 students and other community members.

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

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The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. For the fiscal year, the School District has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". The most significant of the School District's accounting policies are described below.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District is associated with the Tri County Computer Consortium which is defined as a jointly governed organization. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 13.

**B. Basis of Presentation -  
Fund Accounting**

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

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

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

Governmental Fund Types

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

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

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

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

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

#### Proprietary Fund Types

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

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

Internal Service Funds: The internal service funds account for the financing of services provided by one department to other departments of the School District on a cost reimbursement basis.

Fiduciary Fund Types

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

Account Groups

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

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

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

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

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

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of the end of the fiscal period, and delinquent property taxes, whose availability is indeterminable and which are intended to finance the subsequent fiscal year operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**D. Budgets and  
Budgetary Accounting**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Even though annual budgets are legally adopted, proprietary budgetary statements have not been presented since they are not required under GAAP. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*Tax Budget:* Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Ashland County Budget Commission for rate determination.

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

Appropriations: Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual Appropriation Resolution must be legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the fund appropriation at the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, amendments to the permanent appropriation were made and a final appropriation measure was legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Under Ohio law advances are not required to be budgeted.



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

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

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the combined balance sheet. During the fiscal year, investments were limited to overnight repurchase agreements and interest in Star Ohio, the State Treasurer's Investment Pool, stock certificates and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds.

The District has invested funds in STAR Ohio during 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

In a previous fiscal year the School District received donated stocks which are reported in a nonexpendable trust fund, as "Investments in segregated accounts." The stocks are carried at fair value and are not to be sold. The dividends are used for expenditures of this fund.

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

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

Short-term interfund loans are classified as "Interfund receivables/payables" on the combined balance sheet.

**G. Inventory of Supplies**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds was not significant at the end of the fiscal period. Inventories of proprietary funds consist of donated food and purchased food and are expensed when used.

**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 related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess 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 and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight line method over an estimated useful life of five to twenty years.

**I. Restricted Assets**

Restricted assets in the General fund represent cash and cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of school buses. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

The School District also utilizes a financial institution to service rent payments and construction costs associated with the issuance of certificates of participation. These accounts are reported in the Bond Retirement debt service fund and Building capital projects fund as “Cash and cash equivalents with escrow agents” and “Investments with fiscal agents”.

**J. Intergovernmental Revenues**

In governmental funds, federal and state grants awarded on a non-reimbursement basis and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Federal and state reimbursable type grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

The School District currently participates in several State and Federal programs. Management has determined the following programs as material:

*Entitlements*

General Fund

State Foundation Program  
State Property Tax Relief

*Non-Reimbursable Grants*

Special Revenue Funds

Eisenhower Math and Science Subsidy  
Excellence in Education  
Disadvantaged Pupil Impact Aid  
Data Communications  
Alternative Schools  
Auxiliary Services  
Disability Access  
Parent Mentor  
Title VI-B  
Title I  
Reducing Class Size  
Venture Capital

Capital Projects

SchoolNet

*Reimbursable Grants*

Proprietary Funds

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Grants and entitlements amounted to approximately thirty-nine percent of the School District's operating revenue during the fiscal year.

**K. Estimates**

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

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

Accumulated vacation and sick leave of employees paid from governmental funds has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund.

**M. Long-Term Obligations**

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

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

**N. Interfund Transactions**

During the course of normal operations, the School District has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

**O. Fund Equity**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization, bus purchases, endowments, and debt service. The proprietary fund's contributed capital represents capital contributions from other funds.

**P. Memorandum Only -  
Total Columns on  
General Purpose  
Financial Statements**

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

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

## Ashland City School District

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
<i>GAAP Basis</i>	\$ 273,120	\$ (55,600)	\$ 83,879	\$ (67,752)	\$ 983
<i>Revenue accruals</i>	641,980	(11,497)	(718,388)	18,110	(259)
<i>Expenditure accruals</i>	(351,656)	(39,487)	595,402	(8,304)	36
<i>Encumbrances (Budget Basis) outstanding at year end</i>	<u>(244,034)</u>	<u>(73,734)</u>	-	<u>(65,044)</u>	<u>(520)</u>
<i>Budget Basis</i>	<u>\$ 319,410</u>	<u>\$ (180,318)</u>	<u>\$ (39,107)</u>	<u>\$ (122,990)</u>	<u>\$ 240</u>

### NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

## *Notes to the General Purpose Financial Statements*

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Interim moneys may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

## Ashland City School District

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Deposits: The carrying value of the School District's deposits was \$280,837 and the bank balances of the deposits totaled \$522,163. Of the bank balance, \$180,000 was covered by federal depository insurance. \$342,163 was collateralized with securities held by the pledging institution's trust department or agent but not in the School District's name.

Investments: GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Interest earned on investments related to the certificates of participation in the debt service and the capital projects funds is recorded in those funds. Interest earned on investments in the Foundation and Auxiliary Services special revenue funds is recorded in those funds as required by a Board resolution. All other interest is legally required to be placed in the general fund. Interest revenue credited to the general fund during the fiscal year 2001 amounted to \$404,369 which includes \$157,184 assigned from other School District funds.

	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>			
Repurchase Agreements	\$ -	\$ 204,976	\$ 204,976
U. S. Treasury securities	-	200,500	200,500
Stock Certificates	<u>303,984</u>	-	<u>303,984</u>
Total Categorized	<u>\$ 303,984</u>	<u>\$ 405,476</u>	<u>\$ 709,460</u>
<u>Noncategorized Investments</u>			
State Treasurer's Pool			<u>6,110,935</u>
Total Investments			<u>\$ 6,820,395</u>



The decrease in fair value of the stock certificates was \$89,547 during the fiscal year. The School District is holding these stocks in a nonexpendable trust fund and therefore no sales or exchanges have taken place.

**NOTE 5 - PROPERTY TAX**

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

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

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

The School District receives property taxes from Ashland and Richland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent. The Board has passed a resolution to accept advances of property taxes and make them available for appropriation.

## Ashland City School District

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Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year end was \$1,646,572 in the general fund and is recognized as revenue.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<i>Property Category</i>	<i>1999 Assessed Value</i>	<i>2000 Assessed Value</i>
<i>Real Property</i>		
<i>Residential and Agricultural</i>	\$ 247,838,420	\$ 252,302,690
<i>Commercial and Industrial</i>	63,821,070	64,938,450
<i>Tangible Personal Property</i>		
<i>General</i>	78,065,027	79,731,017
<i>Public Utilities</i>	24,099,410	20,521,820
<i>Total</i>	<u>\$ 413,823,927</u>	<u>\$ 417,493,977</u>

### NOTE 6 - RECEIVABLES

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Receivables at year-end consisted of taxes, accounts (tuition and excess costs), interfund, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Intergovernmental receivables for the general and special revenue funds at year-end were \$13,094 and \$12,985, respectively.

**NOTE 7 - FIXED ASSETS**

Enterprise Funds: A summary of the enterprise funds' fixed assets at year end follows:

<u>Classification</u>	<u>Balance</u>
Equipment	\$ 698,258
Less: accumulated depreciation	<u>(532,853)</u>
Net Fixed Assets	<u>\$ 165,405</u>

General Fixed Assets: Changes in general fixed assets during the fiscal year were as follows:

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30</u>
Land, and land improvements	\$ 1,147,685	\$ -	\$ -	\$ 1,147,685
Buildings	15,957,657	-	-	15,957,657
Furniture, fixtures, and equipment	8,941,778	230,874	(5,282)	9,167,370
Vehicles	<u>1,577,759</u>	<u>-</u>	<u>(39,000)</u>	<u>1,538,759</u>
Total	<u>\$ 27,624,879</u>	<u>\$ 230,874</u>	<u>\$ (44,282)</u>	<u>\$ 27,811,471</u>

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District uses an internal service fund to record and report their self-funded health care insurance program. The claims liability of \$401,669 reported in the fund at year end was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$60,000 per employee.

## Ashland City School District

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Changes in the fund's claims liability during 2000 and 2001 were:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2000	\$ 369,036	1,915,279	(1,913,525)	370,790
2001	\$ 370,790	2,103,728	(2,072,849)	401,669

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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### NOTE 9 - DEFINED BENEFIT PENSION PLANS

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#### A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute nine percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$456,976, \$392,361, and \$347,517, respectively; forty-four percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$255,688 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers  
Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of ten percent for members and fourteen percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,945,752, \$1,817,336, and \$1,815,792, respectively; eighty-three percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$335,972 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

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**NOTE 10 - POST EMPLOYMENT BENEFITS**

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Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to 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 fourteen percent of covered payroll. The retirement board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$1,111,858 during the 2001 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.419 billion at June 30, 2000, (latest information available). For the year ended June 30, 2000, the net health care costs paid by the STRS were \$283,137,000 and eligible benefit recipients totaled 99,011.

## Ashland City School District

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of seventy-five 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 fourteen 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 fourteen percent contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$330,218, which includes a surcharge of \$54,400 during the 2001 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (latest information available) were \$140,696,340 and the target level was \$211 million. At June 30, 2000, the SERS's net assets available for payment of health care benefits was \$252.3 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

### NOTE 11 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

	<i>Balance</i>			<i>Balance</i>
	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
<b><u>General Long-Term Obligations</u></b>				
<i>Energy Conservation Notes, 5.35%, maturing April 2, 2002</i>	\$ 390,000	\$ -	\$ (190,000)	\$ 200,000
<i>Library Improvement Bonds, 8.75%, maturing December 1, 2008</i>	855,000	-	(95,000)	760,000
<i>Certificates of Participation, 4.50-5.10%, maturing December 1, 2009</i>	4,000,000	-	(320,000)	3,680,000
<b><u>Other Obligations</u></b>				
<i>Compensated absences</i>	1,857,548	92,917	-	1,950,465
<i>Capital leases payable</i>	233,992	-	(40,755)	193,237
<i>Employer pension obligations</i>	164,578	172,985	(164,578)	172,985
<b><i>Total General Long-Term Obligations</i></b>	<b>\$ 7,501,118</b>	<b>\$ 265,902</b>	<b>\$ (810,333)</b>	<b>\$ 6,956,687</b>

*Notes to the General Purpose Financial Statements*

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General Obligation Bonds and Notes: General obligation bonds and notes are direct obligations of the School District for which its full faith and credit are pledged for repayment. General obligation bonds and notes are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the Bond Retirement debt service fund.

Certificates of Participation: Certificates of Participation were issued during fiscal year 1997. Concurrently, the School District entered into a trust and lease agreement to make base rent payments for the face value of the Certificates. The agreements were for the School District to sublease additions to two existing elementary schools, which are to be constructed from the use of the proceeds from the Certificates. The renewal of the lease and disbursement of rent payments are subject to appropriations made by the School District's Board.

Compensated absences: Sick leave benefits will be paid from the fund from which the person is paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the School District to determine these amounts separately.

Employer pension obligations: Employer pension due to the School Employees Retirement System will be paid from the fund from which the person is paid.

The annual requirements to amortize all bonds, notes and certificates outstanding as of the end of this fiscal period, including interest payments of \$270,156, \$10,700 and \$876,783 respectively are as follows:

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>General Obligation Notes</u>	<u>Certificates of Participation</u>	<u>Total</u>
2002	\$ 157,344	\$ 210,700	\$ 505,748	\$ 873,792
2003	149,031	-	505,160	654,191
2004	140,719	-	508,415	649,134
2005	132,406	-	505,480	637,886
2006	124,094	-	506,419	630,513
Thereafter	<u>326,562</u>	<u>-</u>	<u>2,025,561</u>	<u>2,352,123</u>
Total	<u>\$ 1,030,156</u>	<u>\$ 210,700</u>	<u>\$ 4,556,783</u>	<u>\$ 5,797,639</u>

*Ashland City School District*

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**NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES**

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The composition of interfund balances at year end are as follows:

<i>Receivable</i>	<i>Payable</i>	<i>Amount</i>
<u>Fund</u>	<u>Fund</u>	
<i>General</i>	<i>Auxiliary Services special revenue</i>	\$ 685
<i>General</i>	<i>Vocational Educational Equipment capital projects</i>	25,374
<i>General</i>	<i>Ohio Reads special revenue</i>	<u>464</u>
	<i>Total</i>	<u>\$ 26,523</u>

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

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Tri-County Computer Service Association (TCCSA) is the computer service organization or Data Acquisition Site (DAS) used by the School District. TCCSA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges, and assessments as charged.

TCCSA is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest in or an ongoing financial responsibility for the consortium. Payments to TCCSA are made from the General fund and amounted to \$59,285 during fiscal year 2001.

**NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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In prior years, the School District has entered into capitalized leases for the acquisition of eight copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the combined financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.



*Notes to the General Purpose Financial Statements*

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General fixed assets acquired by lease have been capitalized in the general fixed assets account group at \$255,786 equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term debt account group.

Principal payments in the current fiscal year totaled \$40,755. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year end.

<i>Fiscal Year</i>	<i>Lease Payments</i>
2002	\$ 62,835
2003	62,835
2004	62,835
2005	<u>41,135</u>
<i>Total minimum lease payments</i>	229,640
<i>Less: amount representing interest</i>	<u>(36,403)</u>
<i>Total</i>	<u>\$ 193,237</u>

**NOTE 15 - FUND DEFICITS**

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As of June 30, 2001, four funds had deficit fund balances. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficits at year end:

<i>Fund</i>	<i>Deficit</i>
<i>Excellence in Education special revenue</i>	\$ 4,087
<i>Vocational Matching capital projects</i>	25,374
<i>Food Service enterprise</i>	110,065
<i>Miscellaneous Federal Grants special revenue</i>	8,477

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

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Financial segment information as of and for the year ended June 30, 2001 for the enterprise funds is presented as follows:

## Ashland City School District

<u>Description</u>	<u>Food</u> <u>Service</u>	<u>Uniform</u> <u>School Supply</u>	<u>Total</u>
Operating revenues	\$ 709,408	\$ 88,140	\$ 797,548
Depreciation expense	12,727	-	12,727
Operating income (loss)	(421,989)	5,218	(416,771)
Operating grants	316,675	-	316,675
Donated commodities	67,398	-	67,398
Net income (loss)	(31,897)	6,664	(25,233)
Fixed asset additions	5,100	-	5,100
Net working capital	(80,633)	12,089	(68,544)
Total assets	199,403	13,262	212,665
Compensated absences payable	64,967	-	64,967
Contributed capital	5,100	-	5,100
Total equity	19,805	12,089	31,894
Encumbrances outstanding (budget basis) at June 30, 2001	\$ -	\$ 3,144	\$ 3,144

### NOTE 17 - CONTINGENT LIABILITIES

A few claims and lawsuits are pending against the School District. It is management's opinion that the ultimate liability will be covered by insurance, and/or will not have a material effect on the financial statements.

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the School District's management believes such disallowances, if any will be immaterial.

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.
2. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 19, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for consideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

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**NOTE 18 - CONTRIBUTED CAPITAL**

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Contributed capital was first recorded by the School District as of fiscal year ended June 30, 1997. Amounts contributed prior to that fiscal year end are not reasonably determinable and, therefore, were included in retained earnings. There was additional contributed capital of \$5,100 recorded during the fiscal year ended June 30, 2001.

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**NOTE 19 – STATUTORY RESERVES**

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The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

## Ashland City School District

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Effective April 10, 2001, Senate Bill 345, eliminated the requirement that School Districts establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2001, the Board had not acted on the Senate Bill. Monies previously reported in the budget stabilization reserve are now reported as designated and reserved fund equity in the General fund. The reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Budget Stabilization Reserve</i>	<i>School Buses Reserve</i>	<i>Total</i>
<i>Set-aside Balance as of June 30, 2000</i>	\$ (86,796)	\$ -	\$ 322,440	\$ -	\$ 235,644
<i>Reduction authorized by legislative revisions</i>	-	-	(187,922)	-	(187,922)
<i>Current Year Set-aside Requirement</i>	578,418	578,418	4,216	40,877	1,201,929
<i>Current Year Offset</i>	-	(311,879)	-	-	(311,879)
<i>Qualifying Disbursements</i>	<u>(518,418)</u>	<u>(355,924)</u>	<u>-</u>	<u>-</u>	<u>(874,342)</u>
<i>Total</i>	<u>\$ (26,796)</u>	<u>\$ (89,385)</u>	<u>\$ 138,734</u>	<u>\$ 40,877</u>	<u>\$ 63,430</u>
<i>Balance Carried Forward to FY 2002</i>	<u>\$ (26,796)</u>	<u>\$ -</u>	<u>\$ 138,734</u>	<u>\$ 40,877</u>	<u>\$ 152,815</u>

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

Members of the Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

We have audited the financial statements of Ashland City School District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 9, 2001. We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

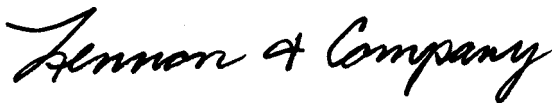
Compliance

As part of obtaining reasonable assurance about whether Ashland City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ashland City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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.

This report is intended for the information of management, 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.



LENNON & COMPANY  
Certified Public Accountant  
November 9, 2001

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

Members of the Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

### Compliance

We have audited the compliance of Ashland City School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Ashland City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ashland City School District's management. Our responsibility is to express an opinion on Ashland City School District's compliance based on our audit.

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

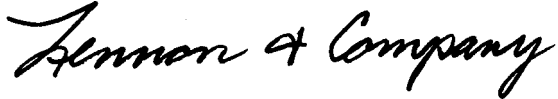
In our opinion, Ashland City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

### Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Lennon & Company". The signature is written in a cursive, flowing style.

LENNON & COMPANY  
Certified Public Accountant  
November 9, 2001



**Ashland City School District  
Ashland County**

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education: Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$ 76,188	\$ -	\$ 67,398
National School Breakfast Program	N/A	10.553	48,935	-	48,935	-
National School Lunch Program	N/A	10.555	250,975	-	250,976	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>299,910</u>	<u>76,188</u>	<u>299,911</u>	<u>67,398</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Title VIB Educationally Handicapped	6B-SF-00 6B-SF-01	84.027	-	-	42,364	-
			263,848	-	223,360	-
			<u>263,848</u>	<u>-</u>	<u>265,724</u>	<u>-</u>
Title I ESEA	C1-S1-00 C1-S1-01	84.010	-	-	92,351	-
			545,232	-	450,608	-
			<u>545,232</u>	<u>-</u>	<u>542,959</u>	<u>-</u>
Drug Free Schools	DR-S1-99 DR-S1-00 DR-S1-01	84.186	-	-	296	-
			-	-	3,039	-
			16,804	-	14,932	-
			<u>16,804</u>	<u>-</u>	<u>18,267</u>	<u>-</u>
Title II IASA Eisenhower Grant	MS-S1-99 MS-S1-00 MS-S1-01	84.281	(154)	-	2,921	-
			12,144	-	16,710	-
			14,567	-	5,113	-
			<u>26,557</u>	<u>-</u>	<u>24,744</u>	<u>-</u>
Title VI Innovative Programs	C2-S1-99 C2-S1-00 C2-S1-01	84.298	-	-	734	-
			-	-	10,825	-
			18,794	-	8,003	-
			<u>18,794</u>	<u>-</u>	<u>19,562</u>	<u>-</u>
Goals 2000	G2-A2-01	84.276	-	-	6,235	-
Title VI-R Class Size Reduction	CR-S1-00 CR-S1-01	84.340	-	-	11,434	-
			81,053	-	67,699	-
			<u>81,053</u>	<u>-</u>	<u>79,133</u>	<u>-</u>
Character Education	PI-SI-00 PI-SI-01	84.215	-	-	6,592	-
			10,938	-	10,303	-
			<u>10,938</u>	<u>-</u>	<u>16,895</u>	<u>-</u>
Virtual Middle School	TF-VM -00	84.318	4,658	-	4,658	-
Total U.S. Department of Education			<u>967,884</u>	<u>-</u>	<u>978,177</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,267,794</u>	<u>\$ 76,188</u>	<u>\$ 1,278,088</u>	<u>\$ 67,398</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

Ashland City School District  
Notes to the Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2001

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash-basis of accounting.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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

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

**ASHLAND CITY SCHOOL DISTRICT  
June 30, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program	Nutrition Cluster: CFDA's 10.550, 10.553, 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**ASHLAND CITY SCHOOL DISTRICT**

**ASHLAND 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 29, 2002**