



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Austintown Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 the Austintown Local School District, Mahoning County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 8, 2002

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AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$4,903,146	\$653,503	\$629,633	\$157,768	\$149,128	\$150,929			\$6,644,107
Equity in pooled cash and cash equivalents - nonexpendable trust fund.						8,450			8,450
Receivables (net of allowances of uncollectibles):									
Taxes - current and delinquent.	21,027,901								21,027,901
Accounts.	18,300	68			520				18,888
Due from other governments.	1,800	7,765			60,606	673,220			743,391
Prepayments.	15,221								15,221
Materials and supplies inventory					27,659				27,659
Fixed assets (net of accumulated depreciation where applicable).					70,039		\$25,014,368		25,084,407
OTHER DEBITS:									
Amount available in debt service fund . .								\$629,633	629,633
Amount to be provided for retirement of general long-term obligations								3,389,761	3,389,761
Total assets and other debits	<u>\$25,966,368</u>	<u>\$661,336</u>	<u>\$629,633</u>	<u>\$157,768</u>	<u>\$307,952</u>	<u>\$832,599</u>	<u>\$25,014,368</u>	<u>\$4,019,394</u>	<u>\$57,589,418</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$112,277	\$50,547		\$4,695	\$2,036	\$6,331			\$175,886
Accrued wages and benefits.	3,674,579	113,756			100,839				3,889,174
Compensated absences payable	177,890	3,433			59,795			\$2,656,619	2,897,737
Pension obligation payable	485,962				75,585			276,155	837,702
Undistributed monies						745,870			745,870
Deferred revenue	21,027,901				19,234				21,047,135
Due to students						31,874			31,874
Notes payable								822,825	822,825
Loans payable								263,795	263,795
Total liabilities	25,478,609	167,736		4,695	257,489	784,075		4,019,394	30,711,998
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets.							\$25,014,368		25,014,368
Retained earnings: unreserved.					50,463				50,463
Fund balances:									
Reserved for encumbrances	381,778	104,900		48,081					534,759
Reserved for principal endowment.						5,000			5,000
Reserved for prepayments	15,221								15,221
Reserved for debt service.			\$629,633						629,633
Unreserved:									
Designated for budget stabilization	761,865								761,865
Undesignated (deficit).	(671,105)	388,700		104,992		43,524			(133,889)
Total equity and other credits	487,759	493,600	629,633	153,073	50,463	48,524	25,014,368		26,877,420
Total liabilities, equity and other credits	\$25,966,368	\$661,336	\$629,633	\$157,768	\$307,952	\$832,599	\$25,014,368	\$4,019,394	\$57,589,418

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$17,068,052		\$856,686			\$17,924,738
Tuition	55,174					55,174
Earnings on investments	284,949	\$16,769			\$1,388	303,106
Extracurricular activities	3,040	545,257				548,297
Classroom materials and fees	40,983	914				41,897
Other local revenues	224,912	48,453			27,208	300,573
Other revenue		10,665				10,665
Intergovernmental - State	14,925,457	749,828		260,509		15,935,794
Intergovernmental - Federal		1,059,923				1,059,923
Total revenues	<u>32,602,567</u>	<u>2,431,809</u>	<u>856,686</u>	<u>260,509</u>	<u>28,596</u>	<u>36,180,167</u>
Expenditures:						
Current:						
Instruction:						
Regular	16,467,538	504,754		176,753		17,149,045
Special	2,190,067	638,451				2,828,518
Vocational	302,695					302,695
Other	22,851	60,508				83,359
Support services:						
Pupil	1,920,314	112,340				2,032,654
Instructional staff	984,281	144,684				1,128,965
Board of Education	15,406					15,406
Administration	2,569,920	394,134				2,964,054
Fiscal	811,992					811,992
Business	4,191					4,191
Operations and maintenance	3,468,462	1,000				3,469,462
Pupil transportation	1,977,728					1,977,728
Central	1,993					1,993
Community services	1,659	30,294			7,599	39,552
Extracurricular activities	451,353	362,085				813,438
Facilities acquisition and construction	487,810			600,000		1,087,810
Pass-through intergovernmental		282,742				282,742
Debt service:						
Principal retirement			247,948			247,948
Interest and fiscal charges			45,041			45,041
Total expenditures	<u>31,678,260</u>	<u>2,530,992</u>	<u>292,989</u>	<u>776,753</u>	<u>7,599</u>	<u>35,286,593</u>
Excess (deficiency) of revenues over (under) expenditures	924,307	(99,183)	563,697	(516,244)	20,997	893,574
Other financing sources (uses):						
Proceeds from sale of notes				600,000		600,000
Operating transfers in	61,691					61,691
Operating transfers out				(61,691)		(61,691)
Proceeds from sales of fixed assets	6,929					6,929
Total other financing sources (uses)	<u>68,620</u>			<u>538,309</u>		<u>606,929</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	992,927	(99,183)	563,697	22,065	20,997	1,500,503
Fund balances (deficit), July 1	(505,168)	592,783	65,936	131,008	19,077	303,636
Fund balances, June 30	<u>\$487,759</u>	<u>\$493,600</u>	<u>\$629,633</u>	<u>\$153,073</u>	<u>\$40,074</u>	<u>\$1,804,139</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$17,068,008	\$17,068,052	\$44				\$856,686	\$856,686	\$0				\$17,924,694	\$17,924,738	\$44
Tuition.....	55,174	55,174	0										55,174	55,174	0
Earnings on investments.....	264,600	284,949	20,349	\$16,448	\$16,769	\$321							281,048	301,718	20,670
Extracurricular.....	3,040	3,040	0	563,716	565,956	2,240							566,756	568,996	2,240
Classroom materials and fees.....	40,633	40,654	21	914	914	0							41,547	41,568	21
Other local revenues.....	258,240	258,494	254	48,754	48,754	0							306,994	307,248	254
Other revenue.....				\$10,665	\$10,665	0							10,665	10,665	0
Intergovernmental - State.....	15,015,175	15,015,175	0	775,635	747,535	(28,100)				\$260,509	\$260,509	\$0	16,051,319	16,023,219	(28,100)
Intergovernmental - Federal.....				1,153,397	1,153,397	0							1,153,397	1,153,397	0
Total revenues.....	<u>32,704,870</u>	<u>32,725,538</u>	<u>20,668</u>	<u>2,569,529</u>	<u>2,543,990</u>	<u>(25,539)</u>	<u>856,686</u>	<u>856,686</u>	<u>0</u>	<u>260,509</u>	<u>260,509</u>	<u>0</u>	<u>36,391,594</u>	<u>36,386,723</u>	<u>(4,871)</u>
Expenditures:															
Current:															
Instruction:															
Regular.....	16,814,117	16,794,070	20,047	623,935	555,154	68,781				224,859	224,859	0	17,662,911	17,574,083	88,828
Special.....	2,256,471	2,225,006	31,465	752,710	624,585	128,125							3,009,181	2,849,591	159,590
Vocational.....	354,417	353,121	1,296										354,417	353,121	1,296
Other.....	23,700	23,645	55	63,482	63,482	0							87,182	87,127	55
Support services:															
Pupil.....	1,912,074	1,906,924	5,150	119,974	119,974	0							2,032,048	2,026,898	5,150
Instructional staff.....	981,332	971,579	9,753	145,269	153,022	(7,753)							1,126,601	1,124,601	2,000
Board of Education.....	26,734	24,268	2,466										26,734	24,268	2,466
Administration.....	2,673,767	2,645,941	27,826	399,789	381,532	18,257							3,073,556	3,027,473	46,083
Fiscal.....	812,209	807,380	4,829										812,209	807,380	4,829
Business.....	5,000	4,191	809										5,000	4,191	809
Operations and maintenance.....	3,658,035	3,634,184	23,851	1,000	1,000	0							3,659,035	3,635,184	23,851
Pupil transportation.....	2,133,905	2,110,305	23,600										2,133,905	2,110,305	23,600
Central.....	2,100	2,026	74										2,100	2,026	74
Community services.....	1,720	1,651	69	32,623	30,332	2,291							34,343	31,983	2,360
Extracurricular activities.....	470,816	453,090	17,726	372,784	371,904	880							843,600	824,994	18,606
Facilities acquisition and construction.....	518,362	515,574	2,788							600,000	600,000	0	1,118,362	1,115,574	2,788
Pass-through intergovernmental.....				339,962	339,962	0							339,962	339,962	0
Debt service:															
Principal retirement.....							247,948	247,948	0				247,948	247,948	0
Interest and fiscal charges.....							45,041	45,041	0				45,041	45,041	0
Total expenditures.....	<u>32,644,759</u>	<u>32,472,955</u>	<u>171,804</u>	<u>2,851,528</u>	<u>2,640,947</u>	<u>210,581</u>	<u>292,989</u>	<u>292,989</u>	<u>0</u>	<u>824,859</u>	<u>824,859</u>	<u>0</u>	<u>36,614,135</u>	<u>36,231,750</u>	<u>382,385</u>
Excess (deficiency) of revenues over (under) expenditures.....	60,111	252,583	192,472	(281,999)	(96,957)	185,042	563,697	563,697	0	(564,350)	(564,350)	0	(222,541)	154,973	377,514
Other financing sources (uses):															
Refund of prior year's expenditures.....	35,751	35,751	0										35,751	35,751	0
Operating transfers in.....	92,691	92,691	0										92,691	92,691	0
Operating transfers (out).....	(31,000)	(31,000)	0							(61,691)	(61,691)		(92,691)	(92,691)	0
Advances in.....	105,893	105,893	0										105,893	105,893	0
Advances out.....	(105,893)	(105,893)	0									0	(105,893)	(105,893)	0
Proceeds from sale of notes.....										600,000	600,000	0	600,000	600,000	0
Proceeds from sale of fixed assets.....	6,906	6,929	23										6,906	6,929	23
Total other financing sources (uses).....	<u>104,348</u>	<u>104,371</u>	<u>23</u>							<u>538,309</u>	<u>538,309</u>	<u>0</u>	<u>642,657</u>	<u>642,680</u>	<u>23</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	164,459	356,954	192,495	(281,999)	(96,957)	185,042	563,697	563,697	0	(26,041)	(26,041)	0	420,116	797,653	377,537
Fund balances, July 1.....	3,584,362	3,584,362	0	544,151	544,151	0	65,936	65,936	0	125,109	125,109	0	4,319,558	4,319,558	0
Prior year encumbrances appropriated.....	537,291	537,291	0	65,183	65,183	0				5,924	5,924	0	608,398	608,398	0
Fund balances, June 30.....	<u>\$4,286,112</u>	<u>\$4,478,607</u>	<u>\$192,495</u>	<u>\$327,335</u>	<u>\$512,377</u>	<u>\$185,042</u>	<u>\$629,633</u>	<u>\$629,633</u>	<u>\$0</u>	<u>\$104,992</u>	<u>\$104,992</u>	<u>\$0</u>	<u>\$5,348,072</u>	<u>\$5,725,609</u>	<u>\$377,537</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Non-Expendable Trust	
Operating revenues:			
Tuition and fees	\$55,586		\$55,586
Sales/charges for services	815,333		815,333
Investment earnings		\$522	522
Total operating revenues	870,919	522	871,441
Operating expenses:			
Personal services	856,430		856,430
Contract services	1,563		1,563
Materials and supplies	572,521		572,521
Depreciation	7,110		7,110
Other operating expenses	10,285		10,285
Total operating expenses	1,447,909		1,447,909
Operating income (loss)	(576,990)	522	(576,468)
Nonoperating revenues:			
Operating grants	481,078		481,078
Federal donated commodities	107,914		107,914
Interest revenue	1,709		1,709
Miscellaneous nonoperating revenue	50,221		50,221
Total nonoperating revenues	640,922		640,922
Net income	63,932	522	64,454
Retained earnings (accumulated deficit)/fund balance, July 1	(13,469)	7,928	(5,541)
Retained earnings/Fund balance, June 30	<u>\$50,463</u>	<u>\$8,450</u>	<u>\$58,913</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Non-Expendable Trust	
Cash flows from operating activities:			
Cash received from tuition and fees	\$49,049		\$49,049
Cash received from sales/service charges	815,843		815,843
Cash payments for personal services.	(835,948)		(835,948)
Cash payments for contract services	(915)		(915)
Cash payments for materials and supplies	(461,661)		(461,661)
Cash payments for other expenses	(10,285)		(10,285)
Net cash used in operating activities.	(443,917)		(443,917)
Cash flows from noncapital financing activities:			
Cash received from operating grants.	433,079		433,079
Cash received from nonoperating activities	50,221		50,221
Net cash provided by noncapital financing activities	483,300		483,300
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(46,167)		(46,167)
Net cash used in capital and related financing activities.	(46,167)		(46,167)
Cash flows from investing activities:			
Interest received	1,709	\$522	2,231
Net cash provided by investing activities.	1,709	522	2,231
Net increase (decrease) in cash and cash equivalents	(5,075)	522	(4,553)
Cash and cash equivalents at beginning of year	154,203	7,928	162,131
Cash and cash equivalents at end of year	\$149,128	\$8,450	\$157,578
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(\$576,990)	\$522	(\$576,468)
Adjustments to reconcile operating (loss) to net cash used in operating activities:			
Depreciation.	7,110		7,110
Federal donated commodities used	107,914		107,914
Interest reported as operating income.		(522)	(522)
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	8,598		8,598
Decrease in accounts receivable.	510		510
Increase in accounts payable	2,036		2,036
Increase in accrued wages and benefits	7,288		7,288
Increase in compensated absences payable.	1,482		1,482
Derease in deferred revenue.	(7,040)		(7,040)
Increase in pension obligation payable	5,175		5,175
Net cash used in operating activities	(\$443,917)	\$0	(\$443,917)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is the 69th largest in the State of Ohio (among 682 public and community school districts) in terms of total enrollment. The District is staffed by 254 non-certificated and 345 certificated personnel to provide services to approximately 5,080 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, is jointly governed by 24 districts within Mahoning and Columbiana counties. ACCESS is governed by an assembly consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly. Members of ACCESS are assessed annual user fees and periodic capital improvement fees based on their average daily membership. During fiscal year 2001, the District paid \$100,462 to ACCESS for computer services. The members do have an ongoing financial interest in ACCESS, however, they do not have an equity interest. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507-1693.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOL

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The consortium is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

Stark County Schools Council Workers' Compensation Group Rating Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

PROPRIETARY FUNDS

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The modified accrual basis of accounting is followed for governmental funds, the expendable trust fund and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Tax Budget

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

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2001.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level (which is the legal level of budgetary control). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Appropriations - (Continued)

During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types" are provided on the budgetary basis to facilitate a comparison of actual results to the final budget, including all amendments and modifications. Although the legal level of budgetary control was established at the fund level, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

4. Encumbrances

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

5. Lapsing of Appropriations

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Investments

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

During 2001, investments were limited to repurchase agreements. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2001 amounted to \$284,949, which includes \$72,000 assigned from other District funds.

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

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

F. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used. The balance of materials and supplies inventory for the governmental funds at June 30, 2001 was not material and not presented on the GPFS.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

Asset	Life (years)
Furniture and equipment	5 - 20

H. Intergovernmental Revenues

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

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

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 46% of the District's operating revenue during the 2001 fiscal year.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Compensated Absences

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

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

J. Long-Term Obligations

Governmental funds payables and accrued liabilities are reported as obligations of the funds regardless of whether they are liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payment made more than sixty days after year-end are generally considered not to have been paid with current available financial resources.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Fund Balance Reserves and Designations

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

Fund balances are reserved for encumbrances, debt service, prepayments and principal endowment. Although the nonexpendable trust fund uses the total economic resources measurement focus, fund equity is reserved for the amount of principal endowment. The District reports amounts set-aside by the School Board for budget stabilization as a designation of fund balance in the general fund.

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

See Note 5 for an analysis of interfund transactions.

M. Prepayments

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

N. Parochial Schools

Within the District boundaries, Immaculate Heart of Mary, St. Anne, and St. Joseph Schools are operated through the Youngstown Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

O. Estimates

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

P. Memorandum Only - Total Columns

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2001 included the following fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$ (104)
Summer Intervention	(138)
 <u>Enterprise Funds</u>	
Uniform School Supplies	(76)
Adult Education	(826)
Food Service	(64,280)

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit retained earnings in the Adult Education and Food Service enterprise funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

The deficit retained earnings in the Uniform School Supplies enterprise fund is caused by recording accounts payable at year-end in accordance with GAAP. This deficit will be eliminated as resources become available to pay these obligations.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

8. Under limited circumstances, corporate debt interests rates in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$(312,147) and the bank balance was \$638. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance.

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

	<u>Category 2</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$6,964,704</u>	<u>\$6,964,704</u>	<u>\$6,964,704</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 6,652,557	\$ - - -
Investments in the cash management pool:		
Repurchase agreement	<u>(6,964,704)</u>	<u>6,964,704</u>
GASB Statement No. 3	<u>\$ (312,147)</u>	<u>\$6,964,704</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$61,691	\$ - - -
<u>Capital Projects Funds</u>		
Permanent Improvement	- - -	61,691
Total	<u>\$61,691</u>	<u>\$61,691</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. The last revaluation was completed in 1999. The next statistical update will be completed in 2002.

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$554,690,920. Agricultural/Residential and public utility/minerals real estate represented \$353,885,930 or 63.80% of this total; Commercial & Industrial real estate represented \$124,159,260 or 22.38% of this total, public utility tangible represented \$18,950,130 or 3.42% of this total and general tangible property represented \$57,695,600 or 10.40% of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$54.60 per \$1,000.00 of assessed valuation for operations.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no tax advances available to the District at June 30, 2001.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements intended to finance fiscal year 2001. Intergovernmental receivables have been recorded as "due from other governments" on the balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs and the current year guarantee of Federal funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$21,027,901
Accounts	18,300
Due from other governments	1,800
 <u>Special Revenue Funds</u>	
Accounts	68
Due from other governments	7,765
 <u>Enterprise Funds</u>	
Accounts	520
Due from other governments	60,606
 <u>Agency Funds</u>	
Due from other governments	673,220

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Land/Improvements	\$ 261,042	\$ 374,186	\$ ---	\$ 635,228
Buildings/Improvements	12,976,417	868,417	---	13,844,834
Furniture and Equipment	7,034,583	423,538	(5,000)	7,453,121
Vehicles/Other	<u>2,812,577</u>	<u>415,003</u>	<u>(146,395)</u>	<u>3,081,185</u>
Total	<u>\$23,084,619</u>	<u>\$2,081,144</u>	<u>\$(151,395)</u>	<u>\$25,014,368</u>

There was no significant construction in progress at June 30, 2001.

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture fixtures and equipment	\$ 190,123
Less: accumulated depreciation	<u>(120,084)</u>
Net fixed assets	<u>\$ 70,039</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The District has issued energy conservation notes and an asbestos loan to provide for energy improvements to various District buildings. The primary source of repayment of these obligations is through energy savings as a result of the improvements.

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

The following is a description of the District's asbestos loan and energy conservation notes outstanding as of June 30, 2001:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2000</u>	<u>Issued in 2001</u>	<u>Retired in 2001</u>	<u>Outstanding June 30, 2001</u>
Asbestos Loan	0.00%	12/01/93	11/30/11	\$288,918	\$ - - -	\$ (25,123)	\$ 263,795
Energy Conservation Notes	4.85%	04/10/92	04/10/02	445,650	- - -	(222,825)	222,825
Energy Conservation Notes	5.89%	07/24/00	07/24/15	<u>0</u>	<u>600,000</u>	<u>- - -</u>	<u>600,000</u>
Total				<u>\$734,568</u>	<u>\$600,000</u>	<u>\$(247,948)</u>	<u>\$1,086,620</u>

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

<u>Fiscal Year Ending</u>	<u>Principal on Loan/Notes</u>	<u>Interest on Loan/Notes</u>	<u>Total</u>
2002	\$ 287,948	\$ 41,684	\$ 329,632
2003	65,123	31,215	96,338
2004	65,123	28,937	94,060
2005	65,123	26,503	91,626
2006	65,123	24,147	89,270
2007-2011	325,615	85,447	411,062
2012-2016	<u>212,565</u>	<u>26,521</u>	<u>239,086</u>
Total	<u>\$1,086,620</u>	<u>\$264,454</u>	<u>\$1,351,074</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences and pension obligations will be paid from the fund in which the employee was paid.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated absences	\$2,619,009	\$ 37,610	\$ - - -	\$2,656,619
Pension obligation payable	265,365	276,155	(265,365)	276,155
Loans payable	288,918	- - -	(25,123)	263,795
Notes payable	<u>445,650</u>	<u>600,000</u>	<u>(222,825)</u>	<u>822,825</u>
Total	<u>\$3,618,942</u>	<u>\$913,765</u>	<u>\$(513,313)</u>	<u>\$4,019,394</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$50,551,816 (including \$629,633 available in the debt service fund) and an unvoted debt margin of \$554,691.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the general long-term obligations account group. At June 30, 2001, the total accumulated unpaid sick and vacation time recorded in the general long-term obligations account group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	<u>\$2,618,210</u>	<u>\$38,409</u>	<u>\$2,656,619</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

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

B. Early Retirement Incentive

During fiscal years 1998 and 1999 the District offered an early retirement incentive (ERI) to its certified personnel. The incentive offered was a two year buy-out with benefits being paid out in July of 1999 and 2000. Final payments on the ERI were made in Fiscal Year 2001. No liability for the ERI exists at June 30, 2001.

NOTE 11 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2001, the District contracted with Moreman Yarian FFY for property, inland marine, musical instruments, EDP equipment, boiler and machinery, and commercial crime insurance with a \$1,000 deductible.

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

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

B. Medical Benefits

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 11 - RISK MANAGEMENT - (Continued)

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

The District pays 100% of the medical insurance premiums for certified and classified employees and their families.

The dental and prescription drug coverage is administered by Professional Risk Management, a third party administrator. The District pays 90% of prescription and dental premiums. Unum provides the life insurance coverage.

C. Worker's Compensation

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, adult education, and a special enterprises fund. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Special Enterprises</u>	<u>Total</u>
Operating revenue	\$ 815,333	\$25,234	\$10,057	\$ 20,295	\$ 870,919
Operating expenses before depreciation	1,397,714	26,641	11,480	4,964	1,440,799
Depreciation	5,805	---	---	1,305	7,110
Operating income (loss)	(588,186)	(1,407)	(1,423)	14,026	(576,990)
Operating grants	477,578	---	---	3,500	481,078
Net income	22,268	(1,407)	(1,423)	44,494	63,932
Fixed asset additions	20,064	---	---	---	20,064
Net working capital	(49,726)	(76)	(826)	90,847	40,219
Total assets	190,969	482	---	116,501	307,952
Total liabilities	255,249	558	826	856	257,489
Total equity	(64,280)	(76)	(826)	115,645	50,463
Encumbrances at 06/30/01	104	---	---	573	677

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$659,909, \$633,961, and \$687,660, respectively; 42.29 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$380,844, 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 District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$2,400,044, \$2,190,010, and \$2,229,156, respectively; 84.30 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$376,888, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$771,443 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$545,417 during the 2001 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING- (Continued)

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

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

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

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$356,954	\$ (96,957)	\$563,697	\$(26,041)
Net adjustment for revenue accruals	(122,971)	(112,181)	---	---
Net adjustment for expenditure accruals	370,156	(31,171)	---	(4,670)
Net adjustment for other financing sources (uses)	(35,751)	---	---	---
Encumbrances (budget basis)	<u>424,539</u>	<u>141,126</u>	<u>---</u>	<u>52,776</u>
GAAP basis	<u>\$992,927</u>	<u>\$ (99,183)</u>	<u>\$563,697</u>	<u>\$ 22,065</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

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

C. State School Funding Decision

On 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:

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 time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 16 - CONTINGENCIES - (Continued)

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 August 8, 2002, 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 reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ (3,050)	\$ 0	\$ 423,231
Current year set-aside requirement	766,890	766,890	---
Elimination of budget stabilization reserve	---	---	(423,231)
Current year offsets	---	---	---
Qualifying disbursements	<u>(818,814)</u>	<u>(1,077,373)</u>	<u>---</u>
Total	<u>\$ (54,974)</u>	<u>\$ (310,483)</u>	<u>---</u>
Cash balance carried forward to FY 2002	<u>\$ (54,974)</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 17 - STATUTORY RESERVES - (Continued)

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund equity in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING 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>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$100,773		\$107,914
National School Lunch Program	048298-LLP4-2001	10.555	352,019		352,019	
National School Breakfast Program	048298-05PU-2001	10.553	47,712		47,712	
Total U.S. Department of Agriculture - Nutrition Cluster			399,731	100,773	399,731	107,914
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)						
	6B-SF-2000	84.027	17,323		64,495	
	6B-SF-2001	84.027	375,648		314,480	
Total Special Education Cluster			392,971		378,975	
Adult Education- State Grant Program	AB-S1-2000	84.002			4,886	
	AB-S1-2001	84.002	41,616		32,272	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2000C/O	84.010			9,278	
	C1-S1-2000	84.010	66,873		80,501	
	C1-S1-2001	84.010	493,149		423,074	
Innovative Educational Program Strategies	C2-S1-1999 C/O	84.298			3,740	
	C2-S1-2000	84.298			1,434	
	C2-S1-2001	84.298	27,113		21,920	
Goals 2000	G2-S2-1999	84.276			1,315	
Class Size Reduction (Title VI-R)	CR-S1_2001	84.340	99,888		38,788	
Eisenhower Grant	MS-S1-2001	84.281	19,482		18,326	
Drug-Free Schools Grant	048298-DRS1-2000	84.186			2,080	
	048298-DRS1-2001	84.186	20,672		19,810	
Total Department of Education			1,161,764	0	1,036,399	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Pass Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program		Ohio Dept of MR/DD93.778	23,144		21,437	
<u>NATIONAL SCIENCE FOUNDATION</u>						
<i>Direct Program</i>						
Education and Human Resources	ESI-9811786	47.076			304	
Totals			\$1,584,639	\$100,773	\$1,457,871	\$107,914

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State Grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

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

To the Board of Education:

We have audited the financial statements of the Austintown Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated August 8, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether Austintown Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Austintown Local School District in a separate letter dated August 8, 2002.

Internal Control Over Financial Reporting

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 8, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

Compliance

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

We conducted our audit of compliance in accordance with 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Austintown Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

August 8, 2002

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	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 Programs (list):	Nutrition Cluster CFDA# 10.550 10.553 10.555 Title V1-B - 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number	
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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AUSTINTOWN LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 10, 2002**