



**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL ENDED JUNE 30, 2000**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Blanchester Local School District  
Clinton County  
3580 St. Rt. 28  
Blanchester, Ohio 45107

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report January 4, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Government, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

January 4, 2001

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Blanchester Local School District  
Clinton County

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$2,633,496	\$256,909	\$345,166	\$5,269,700
Restricted Equity in Pooled Cash and Investments	170,766	0	0	0
Receivables:				
Taxes	3,197,324	54,231	554,759	130,291
Intergovernmental	9,265	0	0	0
Accounts	1,969	0	0	0
Accrued Interest	6,983	0	0	70,757
Interfund Receivable	23,693	0	0	0
Inventory	0	0	0	0
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets &amp; Other Debits</b>	<b>\$6,043,496</b>	<b>\$311,140</b>	<b>\$899,925</b>	<b>\$5,470,748</b>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$55,317	\$4,109	\$0	\$8,812
Accrued Wages & Benefits	884,803	53,992	0	0
Compensated Absences Payable	16,729	0	0	0
Interfund Payable	0	1,113	0	2,580
Deferred Revenue	3,075,029	54,231	531,495	122,463
Due to Students	0	0	0	0
Due to Other Governments	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>4,031,878</b>	<b>113,445</b>	<b>531,495</b>	<b>133,855</b>
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	238,403	5,067	0	52,540
Reserved for Property Tax Advances	122,295	0	23,264	7,828
Reserved for Set-Asides	170,766	0	0	0
Unreserved & Undesignated	1,480,154	192,628	345,166	5,276,525
<b>Total Fund Equity (Deficit) &amp; Other Credits</b>	<b>2,011,618</b>	<b>197,695</b>	<b>368,430</b>	<b>5,336,893</b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b>\$6,043,496</b>	<b>\$311,140</b>	<b>\$899,925</b>	<b>\$5,470,748</b>

See accompanying notes.



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$100,394	\$24,607	\$315,114	\$0	\$0	\$8,945,386
0	0	0	0	0	170,766
0	0	0	0	0	3,936,605
0	0	0	0	0	9,265
0	0	0	0	0	1,969
0	0	0	0	0	77,740
0	0	0	0	0	23,693
7,720	0	0	0	0	7,720
23,758	0	0	6,753,543	0	6,777,301
0	0	0	0	368,430	368,430
0	0	0	0	5,256,666	5,256,666
<u>\$131,872</u>	<u>\$24,607</u>	<u>\$315,114</u>	<u>\$6,753,543</u>	<u>\$5,625,096</u>	<u>\$25,575,541</u>
\$15,260	\$0	\$1,191	\$0	\$0	\$84,689
39,934	0	0	0	48,091	1,026,820
4,598	0	0	0	339,865	361,192
20,000	0	0	0	0	23,693
4,476	0	0	0	0	3,787,694
0	0	20,953	0	0	20,953
0	436,476	0	0	0	436,476
0	619,100	0	0	0	619,100
0	0	0	0	5,237,140	5,237,140
<u>84,268</u>	<u>1,055,576</u>	<u>22,144</u>	<u>0</u>	<u>5,625,096</u>	<u>11,597,757</u>
0	0	0	6,753,543	0	6,753,543
47,604	(1,030,969)	0	0	0	(983,365)
0	0	0	0	0	296,010
0	0	0	0	0	153,387
0	0	0	0	0	170,766
0	0	292,970	0	0	7,587,443
<u>47,604</u>	<u>(1,030,969)</u>	<u>292,970</u>	<u>6,753,543</u>	<u>0</u>	<u>13,977,784</u>
<u>\$131,872</u>	<u>\$24,607</u>	<u>\$315,114</u>	<u>\$6,753,543</u>	<u>\$5,625,096</u>	<u>\$25,575,541</u>

Blanchester Local School District  
Clinton County

Combined Statement of Revenues, Expenditures  
And Changes in Fund Balance  
All Governmental Fund Types and Expendable Trust Funds  
For the Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$2,469,901	\$25,379	\$317,217	\$100,995	\$0	\$2,913,492
Intergovernmental	6,246,767	454,976	30,113	815,777	0	7,547,633
Investment	217,377	0	0	141,813	0	359,190
Tuition & Fees	26,540	0	0	0	0	26,540
Extracurricular Activities	0	79,715	0	0	0	79,715
Miscellaneous	10,506	47,390	2,134	0	0	60,030
<b>Total Revenues</b>	<b>8,971,091</b>	<b>607,460</b>	<b>349,464</b>	<b>1,058,585</b>	<b>0</b>	<b>10,986,600</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	4,032,106	55,719	0	17,670	0	4,105,495
Special	626,227	184,967	0	0	1,906	813,100
Vocational	230,614	0	0	2,857	0	233,471
Other	39,396	0	0	0	0	39,396
<b>Support Services:</b>						
Pupils	306,293	19,920	0	0	0	326,213
Instructional Staff	333,139	92,318	0	29,717	0	455,174
Board of Education	36,348	1,831	0	0	0	38,179
Administration	1,017,332	85,396	0	0	0	1,102,728
Fiscal	273,122	697	8,129	21,294	0	303,242
Business	7,121	0	0	0	0	7,121
Operation & Maintenance of Plant	670,465	0	0	15,349	0	685,814
Pupil Transportation	539,429	358	0	0	0	539,787
Central	11,652	4,364	0	0	0	16,016
Operation of Non-Instructional Services	12,699	0	0	0	0	12,699
Extracurricular Activities	152,787	61,504	0	0	0	214,291
Capital Outlay	68,602	0	0	537,076	0	605,678
<b>Debt Service:</b>						
Principal Retirement	16,387	0	90,000	0	0	106,387
Interest & Fiscal Charges	1,542	0	153,767	0	0	155,309
<b>Total Expenditures</b>	<b>8,375,261</b>	<b>507,074</b>	<b>251,896</b>	<b>623,963</b>	<b>1,906</b>	<b>9,760,100</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>595,830</b>	<b>100,386</b>	<b>97,568</b>	<b>434,622</b>	<b>(1,906)</b>	<b>1,226,500</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds of Bonds	0	0	4,646,000	0	0	4,646,000
Proceeds from Sale of Fixed Assets	1,360	0	0	0	0	1,360
Operating Transfers In	0	0	0	4,646,000	0	4,646,000
Operating Transfers Out	0	0	(4,646,000)	0	0	(4,646,000)
<b>Total Other Financing Sources (Uses)</b>	<b>1,360</b>	<b>0</b>	<b>0</b>	<b>4,646,000</b>	<b>0</b>	<b>4,647,360</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>597,190</b>	<b>100,386</b>	<b>97,568</b>	<b>5,080,622</b>	<b>(1,906)</b>	<b>5,873,860</b>
<b>Fund Balance, Beginning of Year</b>	<b>1,414,428</b>	<b>97,309</b>	<b>270,862</b>	<b>256,271</b>	<b>3,914</b>	<b>2,042,784</b>
<b>Fund Balance, End of Year</b>	<b>\$2,011,618</b>	<b>\$197,695</b>	<b>\$368,430</b>	<b>\$5,336,893</b>	<b>\$2,008</b>	<b>\$7,916,644</b>

See accompanying notes.

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Blanchester Local School District  
Clinton County

Combined Statement of Revenues, Expenditures  
And Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
All Governmental Fund Types  
For the Year Ended June 30, 2000

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$2,614,053	\$2,614,053	\$0	\$25,379	\$25,379	\$0
Intergovernmental	6,559,315	6,392,584	(166,731)	454,976	454,976	0
Investment	210,394	210,394	0	0	0	0
Tuition & Fees	28,761	26,540	(2,221)	0	0	0
Extracurricular Activities	0	0	0	74,222	79,715	4,953
Miscellaneous	49,636	9,700	(39,936)	69,289	69,289	0
<b>Total Revenues</b>	<b>9,462,159</b>	<b>9,253,271</b>	<b>(208,888)</b>	<b>623,866</b>	<b>629,359</b>	<b>4,953</b>
Expenditures:						
Current:						
Instruction:						
Regular	4,419,808	4,160,903	258,905	73,838	58,971	14,867
Special	757,672	635,893	121,779	250,385	202,399	47,986
Vocational	245,072	225,091	19,981	0	0	0
Other	90,000	44,487	45,513	0	0	0
Support Services:						
Pupils	342,131	303,726	38,405	34,827	31,532	3,295
Instructional Staff	395,153	326,437	68,716	117,057	94,493	22,564
Board of Education	53,247	36,473	16,774	1,831	1,831	0
Administration	1,080,213	1,003,719	76,494	121,703	87,676	34,027
Fiscal	286,426	274,709	11,717	750	697	53
Business	10,755	8,200	2,555	0	0	0
Operation & Maintenance of Plant	798,516	763,600	34,916	0	0	0
Pupil Transportation	702,193	602,594	99,599	280	358	(78)
Central	19,685	11,652	8,033	5,013	4,364	649
Operation of Non-Instructional Services	16,000	12,699	3,301	0	0	0
Extracurricular Activities	153,265	149,818	3,447	87,039	67,466	19,573
Capital Outlay	129,212	68,602	60,610	0	0	0
Debt Service:						
Principal Retirement	16,387	16,387	0	0	0	0
Interest & Fiscal Charges	1,542	1,542	0	0	0	0
<b>Total Expenditures</b>	<b>9,517,277</b>	<b>8,646,532</b>	<b>870,745</b>	<b>692,723</b>	<b>549,787</b>	<b>142,936</b>
Excess (Deficiency) of Revenues Over Under Expenditures	(55,118)	606,739	661,857	(68,857)	79,572	148,429
Other Financing Sources (Uses):						
Proceeds of Bonds	0	0	0	0	0	0
Proceeds of Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	1,360	1,360	0	0	0	0
Operating Transfers In	1,000,000	1,000,000	0	0	0	0
Operating Transfers Out	(1,006,800)	(1,006,800)	0	0	0	0
Advances In	8,239	8,239	0	2,000	2,000	0
Advances Out	(9,055)	(9,055)	0	(2,000)	(2,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(6,256)</b>	<b>(6,256)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(61,374)	600,483	661,857	(68,857)	79,572	148,429
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	1,910,128	1,910,128	0	168,161	168,161	0
<b>Fund Balance, End of Year</b>	<b>\$1,848,754</b>	<b>\$2,510,611</b>	<b>\$661,857</b>	<b>\$99,304</b>	<b>\$247,733</b>	<b>\$148,429</b>

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$422,771	\$310,059	(\$112,712)	\$108,595	\$101,874	(\$6,721)	\$3,170,798	\$3,051,365	(\$119,433)
32,669	30,113	(2,556)	817,541	815,777	(1,764)	7,864,501	7,693,450	(171,051)
0	0	0	71,056	71,056	0	281,450	281,450	0
0	0	0	0	0	0	28,761	26,540	(2,221)
0	0	0	0	0	0	9,174	79,715	70,541
0	0	0	0	0	0	118,925	78,989	(39,936)
<u>455,440</u>	<u>340,172</u>	<u>(115,268)</u>	<u>997,192</u>	<u>988,707</u>	<u>(8,485)</u>	<u>11,473,609</u>	<u>11,211,509</u>	<u>(262,100)</u>
0	0	0	44,771	21,675	23,096	4,538,417	4,241,549	296,868
0	0	0	0	0	0	1,008,057	838,292	169,765
0	0	0	4,345	4,345	0	249,417	229,436	19,981
0	0	0	0	0	0	90,000	44,487	45,513
0	0	0	0	0	0	376,958	335,258	41,700
0	0	0	102,063	53,178	48,885	614,273	474,108	140,165
0	0	0	0	0	0	55,078	38,304	16,774
0	0	0	0	0	0	1,201,916	1,091,395	110,521
9,874	8,129	1,745	21,952	21,294	658	319,002	304,829	14,173
0	0	0	0	0	0	10,755	8,200	2,555
0	0	0	19,700	19,605	95	818,216	783,205	35,011
0	0	0	0	0	0	702,473	602,952	99,521
0	0	0	0	0	0	24,698	16,016	8,682
0	0	0	0	0	0	16,000	12,699	3,301
0	0	0	0	0	0	240,304	217,284	23,020
0	0	0	672,402	576,606	95,796	801,614	645,208	156,406
4,736,000	4,736,000	0	0	0	0	4,752,387	4,752,387	0
154,614	153,767	847	0	0	0	156,156	155,309	847
<u>4,900,488</u>	<u>4,897,896</u>	<u>2,592</u>	<u>865,233</u>	<u>696,703</u>	<u>168,530</u>	<u>15,975,721</u>	<u>14,790,918</u>	<u>1,184,803</u>
<u>(4,445,048)</u>	<u>(4,557,724)</u>	<u>(112,676)</u>	<u>131,959</u>	<u>292,004</u>	<u>160,045</u>	<u>(4,502,112)</u>	<u>(3,579,409)</u>	<u>922,703</u>
4,648,134	4,648,134	0	0	0	0	4,648,134	4,648,134	0
0	0	0	4,646,000	4,646,000	0	4,646,000	4,646,000	0
0	0	0	0	0	0	1,360	1,360	0
0	0	0	0	0	0	1,000,000	1,000,000	0
0	0	0	0	0	0	(1,006,800)	(1,006,800)	0
0	0	0	2,580	2,580	0	12,819	12,819	0
0	0	0	(1,764)	(1,764)	0	(12,819)	(12,819)	0
<u>4,648,134</u>	<u>4,648,134</u>	<u>0</u>	<u>4,646,816</u>	<u>4,646,816</u>	<u>0</u>	<u>9,288,694</u>	<u>9,288,694</u>	<u>0</u>
203,086	90,410	(112,676)	4,778,775	4,938,820	160,045	4,786,582	5,709,285	922,703
254,757	254,757	0	269,528	269,528	0	2,602,574	2,602,574	0
<u>\$457,843</u>	<u>\$345,167</u>	<u>(\$112,676)</u>	<u>\$5,048,303</u>	<u>\$5,208,348</u>	<u>\$160,045</u>	<u>\$7,389,156</u>	<u>\$8,311,859</u>	<u>\$922,703</u>

Blanchester Local School District  
Clinton County

Combined Statement of Revenues, Expenses  
And Changes in Retained Earnings/Fund Balance  
All Proprietary Fund Types and NonExpendable Trust Funds  
For the Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Investment Revenue	\$0	\$0	\$16,784	\$16,784
Charges for Services	398,986	0	0	398,986
Miscellaneous Revenue	0	158,599	300	158,899
Total Operating Revenues	398,986	158,599	17,084	574,669
Operating Expenses:				
Salaries	171,119	0	0	171,119
Fringe Benefits	65,400	0	0	65,400
Purchased Services	7,157	923,770	0	930,927
Materials & Supplies	286,058	0	0	286,058
Depreciation	3,683	0	0	3,683
Other Operating Expenses	1,140	185	16,708	18,033
Total Operating Expenses	534,557	923,955	16,708	1,475,220
Operating Income (Loss)	(135,571)	(765,356)	376	(900,551)
Non-Operating Revenues (Expenses):				
Investment Revenue	1,596	0	0	1,596
Miscellaneous Revenue	100	0	0	100
Donated Commodities	19,140	0	0	19,140
Operating Grants - State & Local	6,699	0	0	6,699
Operating Grants - Federal	106,554	0	0	106,554
Total Non-Operating Revenues	134,089	0	0	134,089
Net Income	(1,482)	(765,356)	376	(766,462)
Retained Earnings/Fund Balance, Beginning of Year	49,086	(265,613)	290,586	74,059
Retained Earnings/Fund Balance, End of Year	\$47,604	(\$1,030,969)	\$290,962	(\$692,403)

See accompanying notes.

Blanchester Local School District  
Clinton County

Combined Statement of Cash Flows  
All Proprietary Fund Types and NonExpendable Trust Funds  
For the Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Investment Earnings	\$0	\$0	\$16,784	\$16,784
Cash Received from Charges for Services	404,623	0	0	404,623
Cash Received from Miscellaneous Sources	0	158,599	300	158,899
Cash Payments for Personal Services	(236,770)	0	0	(236,770)
Cash Payments for Contract Services	(6,846)	(295,798)	0	(302,644)
Cash Payments for Supplies & Materials	(263,253)	0	0	(263,253)
Cash Payments for Other Expenses	<u>(1,140)</u>	<u>(185)</u>	<u>(16,708)</u>	<u>(18,033)</u>
Net Cash Provided (Used) by Operating Activities	<u>(103,386)</u>	<u>(137,384)</u>	<u>376</u>	<u>(240,394)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash Received from Operating Grants	129,519	0	0	129,519
Cash Received from Investment Earnings	1,596	0	0	1,596
Other	<u>100</u>	<u>0</u>	<u>0</u>	<u>100</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>131,215</u>	<u>0</u>	<u>0</u>	<u>131,215</u>
Net Increase (Decrease) in Cash and Cash Equivalents	27,829	(137,384)	376	(109,179)
Cash and Cash Equivalents at Beginning of Year	<u>72,565</u>	<u>161,991</u>	<u>290,586</u>	<u>525,142</u>
Cash and Cash Equivalents at End of Year	<u>\$100,394</u>	<u>\$24,607</u>	<u>\$290,962</u>	<u>\$415,963</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	(\$135,571)	(\$765,356)	\$376	(\$900,551)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Depreciation	3,683	0	0	3,683
Donated Commodities Used	19,140	0	0	19,140
<b>Changes in Assets and Liabilities:</b>				
(Increase) Decrease in Accrued Interest	5,637	0	0	5,637
(Increase) Decrease in Materials & Supplies Inventory	4,965	0	0	4,965
Increase (Decrease) in Accounts Payable	(2,543)	0	0	(2,543)
Increase (Decrease) in Accrued Wages & Benefits	1,586	0	0	1,586
Increase (Decrease) in Compensated Absences Payable	809	0	0	809
Increase (Decrease) in Due to Other Districts	0	133,333	0	133,333
Increase (Decrease) in Claims Payable	0	494,639	0	494,639
Increase (Decrease) in Deferred Revenue	<u>(1,092)</u>	<u>0</u>	<u>0</u>	<u>(1,092)</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$103,386)</u>	<u>(\$137,384)</u>	<u>\$376</u>	<u>(\$240,394)</u>

See accompanying notes.

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**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000**

**1. DESCRIPTION OF THE DISTRICT**

The Blanchester Local School District was originally organized in 1854 and known as Blanchester Village School. On July 1, 1959 Blanchester Village School, Jefferson Township School and Edenton Local School District became Blanchester Local School District. In 1853 State Laws were enacted to create local boards of education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The School District operates under a locally elected, five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's four instructional and support facilities staffed by 68 classified, 117 certified and six administrative employees to provide service to 1,852 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements 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's significant accounting policies are described below:

**A. Reporting Entity**

For financial reporting purposes, the District's financial statements include all funds, account groups of the primary government (i.e. the District). The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. Component units were considered for inclusion in the reporting entity. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appointed a voting majority of the organization's governing body; and (a) was able to impose its will on that organization; or (b) there was a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District; or
2. The organization was fiscally dependent upon the District; or

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

3. The nature of the relationship between the District and the organization was such that the exclusion from the financial reporting entity would render the financial statements misleading.

The District included no component units in the accompanying financial statements.

The School District is associated with two organizations, which are defined as jointly governed organizations, and a third organization defined as a related organization. These organizations include the Miami Valley Educational Computer Association, Hopewell Special Education Regional Resource Center, and the Local Public Library.

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

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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 for those accounted for in Proprietary and Fiduciary Fund types) are accounted for through Governmental Funds. The following are the District's Governmental Funds:

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

Special Revenue Funds - Are used to account for the proceeds of specific revenue sources (other than Expendable Trust or major Capital Projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs; and for the payment of interest on general obligation notes payable, as required by Ohio Law.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

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

Proprietary Funds - Proprietary Funds are used to account for the District's ongoing activities, which are similar to those most often, found in the private sector. The following are the District's Proprietary Funds:

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 cost (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.

Internal Service Funds - Are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are used for the 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 Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for essentially the same as Governmental Funds. Nonexpendable Trust funds are accounted for essentially the same as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities).

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 Proprietary Funds and Trust Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds and Trust Funds.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

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

Measurement Focus: Governmental Funds types and Expendable Trust Funds are accounted for on a spending, or "current financial resources", measurement focus. Governmental Fund types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary Funds types and Nonexpendable Trust Funds are accounted for on a cost of services, or "economic resources", measurement focus. Proprietary Fund type income statements represent increases and decreases in net total assets.

Basis of Accounting - The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue considered susceptible to accrual includes but is not limited to, property taxes available for advance, interest, tuition and state and federal grants. Property taxes measurable but neither available to finance the current fiscal year expenditures, nor intended to finance the current year expenditures are deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenue is recognized in the period earned and expenses are recognized in the period incurred.

**D. Budgetary Data**

Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

- (1.) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2.) Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons. The District is required by state statute to adopt an annual appropriated budget for all Governmental Fund types. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Clinton County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts by formal resolution the tax rates as determined by the Clinton 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 total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the Clinton County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation the total function appropriations within a fund, or object appropriations within functions must be approved by the Board of Education.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments, functions and funds completed the year within the amount of their legally authorized appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriation amounts. All supplemental appropriations were legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditure plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

**E. Encumbrances**

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund types, encumbrances outstanding at fiscal year end appear on the combined balance sheet as a reserve of the fund balance on a GAAP Basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

**F. Cash and Investments**

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

For purposes of the statement of cash flows, the Proprietary and Nonexpendable trust funds' portion of Equity in Pooled Cash and Investments is considered a cash equivalent because the District is able to withdraw resources from these funds without prior notice or penalty.

During fiscal year 2000, investments were limited to money market investments and obligations of the federal government and agencies.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment revenue credited to the general fund during fiscal year 2000 amounted to \$217,377.

Restricted Cash

Restricted Cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State Statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

**G. Inventory (Materials and Supplies)**

Inventories of the Enterprise Funds are valued at lower of cost (first-in, first-out method) or market and are determined by physical count.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.
2. Proprietary Funds - Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Depreciation has been provided, where appropriate, on a straight-line basis over the following Estimated useful lives:

Building Improvements	20 - 40 years
Equipment	3 - 15 years

**I. Intergovernmental Revenues**

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

**J. Compensated Absences**

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified Personnel</u>	<u>Administrators</u>	<u>Non-Certified Personnel</u>
How Earned	Not Eligible	Per Contract Year, Depending	10 - 20 Days Per  on Length of Service.
Maximum Accumulation	N/A	N/A	N/A
Vested	N/A	As Earned	As Earned
Termination Entitlements -	N/A	N/A	N/A
<u>Sick Leave</u>	<u>Certified Personnel</u>	<u>Administrators</u>	<u>Non-Certified Personnel</u>
How Earned	1-1/4 Days Per Month of Employment (15 Days Per Yr.)	1-1/4 Days Per Month of Em- ployment (15 Days Per Yr.)	1-1/4 Days Per Month of Employ- ment (15 Days Per Yr.)



**BLANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

Maximum Accumulation	210 Days	Per Contract	210 Days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective Proprietary Fund.

**K. Interfund Transactions**

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

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

**L. Long-Term Obligations**

Long-term debt is recognized as a liability of a Governmental Fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

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

**M. Fund Equity**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances, property taxes and budgetary set-asides required under Ohio Law.

**N. Memorandum Only - Total Columns**

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

**O. Proprietary Fund Accounting**

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**P. Estimates**

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

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

Investments". State Statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies that are required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Monies - 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. Ohio law permits interim monies to be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

6. The State Treasurer's investment pool (Star Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eight days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance and 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At fiscal year end, the District had \$1,508 in undeposited cash on hand which is included on the balance sheet of the District as part of Equity in Pooled Cash and Investments.

At year-end, the carrying amount of the District's deposits was \$577,563. The bank balance of deposits was \$709,628 and of the bank balance, \$200,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized as defined by GASB. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of the money had been followed, noncompliance with the federal requirements would potentially subject the money held in the School District's name to a successful claim by the FDIC.

Investments

The District's 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 issued, registered, or held by the District or its agent in the District's name.

CATEGORY 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the District's name.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

CATEGORY 3 includes uninsured and unregistered investments held by the counterparty, or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>INVESTMENTS</u>	<u>RISK CATEGORY</u>	<u>CARRYING VALUE / FAIR VALUE</u>
Money Market - US Treasury Equivalent	*	\$2,791,965
Federal Home Loan Bank Bonds	3	2,519,063
Federal Home Loan Bank Federal Home Loan Mortgage Corp.	3	1,633,500
Federal National Mortgage Assoc.	3	1,197,628
Student Loan Marketing Assoc.	3	49,992
U.S. Treasury Note	2	225,000
		<u>119,933</u>
		<u>\$8,537,081</u>

(\* ) Unclassified Investments because they are not evidenced by securities that exist in physical or book entry form.

**4. PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2000 were based, are as follows:

Tangible Personal	\$28,022,065
Public Utility and Real Estate	<u>90,002,530</u>
Total Assessed Property Value	<u>\$118,024,595</u>

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied on April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least one-half of amount billed) was due January 20, with the remainder due on June 20.

The Clinton County Auditor remits portions of the taxes collected with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property Taxes in June and October to all taxing districts.

The School District receives property taxes from Clinton, Clermont, Brown and Warren Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

**5. FIXED ASSETS**

A summary of the General Fixed Assets Account Group at year-end follows:

	Balance Beginning Year	Additions	Deletions	Balance End of Year
Land	\$ 100,900	\$ 12,730	\$ 0	\$ 113,630
Buildings	4,143,028	54,270	0	4,197,298
Equipment	<u>2,334,994</u>	<u>230,667</u>	<u>(123,046)</u>	<u>2,442,615</u>
Totals	<u>\$6,578,922</u>	<u>\$297,667</u>	<u>(\$123,046)</u>	<u>\$6,753,543</u>

A summary of the Proprietary Fund fixed assets at year-end follows:

Equipment	\$114,190
Less Accumulated Depreciation	( <u>90,432</u> )
Net Fixed Assets	<u>\$ 23,758</u>

**6. CHANGES IN THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP**

During the year ended June 30, 2000, the following changes occurred in debt reported in the General Long-Term Obligations Account Group:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year
Accrued Wages & Benefits	\$44,020	\$4,071	\$0	\$48,091
General Obligation Bond	697,527	4,646,000	(106,387)	5,237,140
Compensated Absences	<u>361,191</u>	<u>0</u>	<u>(21,326)</u>	<u>339,865</u>
TOTAL	<u>\$1,102,738</u>	<u>\$4,650,071</u>	<u>(\$127,713)</u>	<u>\$5,625,096</u>

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

**7. LONG-TERM DEBT**

All current obligation bonds outstanding, issued to provide funds for the acquisition of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. Interest payments are made in June and December of each year. Principal payments are made in December only. The source of payment is derived from debt tax issue proceeds.

A. The following is a description of the District's bonds outstanding as of year-end:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 6/30/99</u>	<u>Issued 2000</u>	<u>Retired 2000</u>	<u>Balance 6/30/00</u>
Remodeling Main							
Street School	6.125	12/1/80	12/1/1	\$120,000	\$ 0	\$40,000	\$80,000
Putnam Addition & Jr. High Gymnasium	7.750	2/1/89	12/1/10	544,000	0	50,000	494,000
Modular Classrooms	4.600	3/15/96	3/15/01	33,527	0	16,387	17,140
State Facilities							
Construction	5.669	4/18/00	12/01/22	<u>0</u>	<u>4,646,000</u>	<u>0</u>	<u>4,646,000</u>
TOTAL				<u>\$697,527</u>	<u>\$4,646,000</u>	<u>\$106,387</u>	<u>\$5,237,140</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal on General Obligation Bonds</u>	<u>Interest on General Obligation Bonds</u>	<u>Total</u>
2001	\$223,140	\$326,807	\$549,947
2002	225,000	281,251	506,251
2003	195,000	269,971	464,971
2004	215,000	259,001	474,001
2005	225,000	247,244	472,244



**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

2006-2023	<u>4,154,000</u>	<u>2,371,058</u>	<u>6,525,058</u>
Totals	<u>\$5,237,140</u>	<u>\$3,755,332</u>	<u>\$8,992,472</u>

**8. INTERFUND ACTIVITY**

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type / Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$23,694	\$ 0
Special Revenue Fund: Title I	0	1,114
Capital Projects Fund: OVEP 1999	0	2,580
Enterprise Fund: School Supplies	<u>0</u>	<u>20,000</u>
Total All Funds	<u>\$23,694</u>	<u>\$23,694</u>

**9. SEGMENT INFORMATION**

Enterprise Funds - The District maintains two Enterprise Funds to account for the operations of Food Service and Uniform School Supply. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the current year-end.

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Total</u>
Operating Revenue	\$345,070	\$53,916	\$398,986
Operating Expenditures before Depreciation	523,587	7,287	530,874
Depreciation	3,683	0	3,683
Operating Income (Loss)	(124,538)	(11,033)	(135,571)

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

Donated Commodities	19,140	0	19,140
Operating Grants	113,253	0	113,253
Miscellaneous Revenue	100	0	100
Investment Revenue	1,596	0	1,596
Operating Transfers In	0	0	0
Net Income (Loss)	9,551	(11,033)	(1,482)
Net Working Capital	10,490	13,356	23,846
Total Assets	103,774	28,098	131,872
Total Liabilities	69,526	14,742	84,268
Total Equity	34,248	13,356	47,604

**10. 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 public employee retirement system administered by School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2000, 1999, and 1998 were \$161,838, \$147,336 and \$168,604 respectively, 47% has been contributed for fiscal year 2000 and 100% for fiscal year 1999 and 1998. \$84,132 representing the unpaid contribution for fiscal year 2000 is

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

recorded as a liability within the respective funds and the general long-term obligation 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14 % for employers. The District's contributions to STRS for the years ending June 30, 2000, 1999 and 1998 were \$625,320, \$593,736 and \$575,561, respectively, 82% has been contributed for fiscal year 2000 and 100% for fiscal year 1999 and 1998. \$104,064 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

**11. POSTEMPLOYMENT BENEFITS**

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

The State Teacher 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. The Retirement Board allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Allocation for the year ended June 30, 2000 will be 8% of covered payroll.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1999. 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 the fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.9 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**12. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

**Reconciliation of Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing  
Uses From GAAP Basis to Budgetary Basis:**

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
GAAP Basis	\$597,190	\$100,386	\$97,568	\$5,080,622
Net Adjustment for Revenue Accruals	1,290,419	23,899	(7,158)	(67,298)
Net Adjustment for Expenditure Accruals	(993,482)	(35,537)	0	(13,152)
Net Adjustments for Encumbrances	<u>(293,644)</u>	<u>(9,176)</u>	<u>0</u>	<u>(61,352)</u>
Budgetary Basis	<u>\$600,483</u>	<u>\$79,572</u>	<u>\$90,410</u>	<u>\$4,938,820</u>

**13. COMPLIANCE AND ACCOUNTABILITY**

State statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

**14. CONTINGENT LIABILITIES**

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. Management is unable to estimate possible claims resulting from such audits until the audits have been completed. 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.

**15. JOINTLY GOVERNED ORGANIZATIONS**

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 27 school districts. The jointly governed organization was formed for

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. To obtain financial information write to: Mr. Steven Sutcliffe, Treasurer, Greene County Career Center, 2960 West Enon Road, Xenia, Ohio 45385.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of Superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and from Federal and State grants. To obtain financial information write to: Mrs. Patrice Thompson, Treasurer, Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, Ohio 45177.

**16. RELATED ORGANIZATION**

Public Library - The Blanchester Public Library is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Blanchester School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Blanchester Public Library, Mrs. Pamela Smith, Clerk/Treasurer, at 110 North Broadway, Blanchester, Ohio 45107.

**17. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past three years.

Dental/Prescription insurance is offered to employees through a self-insured internal service fund. The claims liability is reported in the internal service fund at year end is based on a review of claims processed after year end by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

Medical insurance is offered to employees through a self-insurance internal service fund. The School District is a member of the Ross County School Employees Insurance Consortium, a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$527,788 reported in the internal service fund at June 30, 2000 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, which required that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the 2000 and 1999 fiscal years follows:

	<u>Balance at Beginning Of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2000	\$124,461	\$799,309	\$395,982	\$527,788
1999	106,108	865,170	846,817	124,461

**18. UNCERTAINTIES**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school-funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amount of monetary support to this District. During the fiscal year ended June 30, 2000, the School District received \$5,588,743 of school foundation support for its general fund.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

**19. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:



**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)**

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, Beginning of year	\$ 0	\$ 0	\$89,867
Required Set-Aside	180,646	180,646	28,098
Offset Credits	0	(131,703)	0
Qualifying Expenditures	<u>(127,845)</u>	<u>(48,943)</u>	<u>0</u>
Balance, End of year	<u>\$ 52,801</u>	<u>\$ 0</u>	<u>\$117,965</u>

Offsets and expenditures for capital activity during the year exceeded the required set-aside and the reserve balance.

Offsets and expenditures for textbook activity during the year exceeded the required set-aside and the reserve balance.

**20. ACCOUNTABILITY**

The Internal Service Fund has a deficit fund balance of \$503,181 at June 30, 2000 for amounts due from the District to the Ross County School Employees Insurance Consortium for claims in excess of premiums paid and amounts incurred but not reported. The District plans to eliminate the deficit in future years through increased charges for self-insurance.

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**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$0	\$17,567	\$0	\$19,140
National School Breakfast Program	05-PU-99 05-PU-00	10.553	\$14,328		\$14,328	
National School Lunch Program	03-PU-99 03-PU-00 04-PU-99 04-PU-00	10.555	107,184	0	107,184	0
Total Child Nutrition Cluster			<u>121,512</u>	<u>17,567</u>	<u>121,512</u>	<u>19,140</u>
Total U.S. Department of Agriculture			121,512	17,567	121,512	19,140
<b>U.S. DEPARTMENT OF HUMAN SERVICES</b>						
<i>Passed through Ohio Department of MRDD:</i>						
Medical Assistance Program - CAFS	N/A	93.778	11,241		11,241	
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Title VI-B, Handicapped - State Grants (Part B, Education of the Handicapped Act)	6B-SF-99	84.027	77,920	0	85,229	0
Title VI-B, Special Education - Preschool Grants	PG-S1-99	84.173	<u>4,988</u>	<u>0</u>	<u>6,229</u>	<u>0</u>
Total Special Education Cluster			<u>82,908</u>	<u>0</u>	<u>91,458</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00	84.010	184,837	0	179,353	0
Innovative Educational Program Strategies (Title VI)	C2-S1-99 C2-S1-00	84.298	9,765	0	10,085	0
Drug-Free Schools Grant	DR-S1-00	84.186	7,691	0	13,209	0
Title VIR - Class Size Reduction	CR-S1-00	84.34	<u>33,179</u>	<u>0</u>	<u>26,059</u>	<u>0</u>
Total Department of Education			<u>318,380</u>	<u>0</u>	<u>320,164</u>	<u>0</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$451,133</b></u>	<u><b>\$17,567</b></u>	<u><b>\$452,917</b></u>	<u><b>\$19,140</b></u>

The accompanying notes are an integral part of this schedule.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

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

**NOTE C - COMMUNITY ALTERNATIVE FUNDING SYSTEM**

Receipts for this grant are posted to the general fund. It is assumed federal monies are expended first.



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

Blanchester Local School District  
Clinton County  
3580 St. Rt. 28  
Blanchester, Ohio 45107

To the Board of Education:

We have audited the financial statements of the Blanchester Local School District, Clinton County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 4, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the 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 an immaterial instance of noncompliance that we have reported to management of the Blanchester Local School District in a separate letter dated January 4, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 4, 2001.

Blanchester Local School District  
Clinton County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

January 4, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

Blanchester Local School District  
Clinton County  
3580 St. Rt. 28  
Blanchester, Ohio 45107

To the Board of Education:

**Compliance**

We have audited the compliance of the Blanchester Local School District, Clinton County, Ohio (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 fiscal year ended June 30, 2000. Blanchester Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Blanchester Local School District's management. Our responsibility is to express an opinion on Blanchester Local School District's compliance based on our audit.

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

In our opinion, Blanchester Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2000.

**Internal Control Over Compliance**

The management of Blanchester 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 Blanchester Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Blanchester Local School District  
Clinton County  
Report on Compliance with Requirements Applicable to Each Major  
Federal Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133  
Page 2

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

This report is intended for the information and use of the 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.

**Jim Petro**  
Auditor of State

January 4, 2001



**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**BLANCHESTER LOCAL SCHOOL DISTRICT**

**CLINTON 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  
FEBRUARY 15, 2001**