



**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Dalton Local School District
Wayne County
P.O. Box 514
Dalton, Ohio 44618

To the Board of Education:

We have audited the accompanying financial statements of Dalton Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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.

Ohio Administrative Code Section 117-2-03 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of June 30, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 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.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education and other officials authorized to receive this report under section 117.26, Ohio Rev. Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 15, 2001

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Fiduciary	Total
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
CASH RECEIPTS					
Taxes	\$2,598,509		\$175,310		\$2,773,819
Intergovernmental	2,668,919	\$510,994	17,731		3,197,644
Tuition	21,312				21,312
Investment Earnings	171,124		4,629		175,753
Extracurricular Activities		174,719			174,719
Classroom Materials and Fees	2,358				2,358
Donations				\$1,000	1,000
Miscellaneous	39,429	9,008			48,437
Total Cash Receipts	5,501,651	694,721	197,670	1,000	6,395,042
CASH DISBURSEMENTS					
Instruction:					
Regular	2,662,756	65,367			2,728,123
Special	228,417	179,158			407,575
Vocational Education	109,307				109,307
Other	8,423				8,423
Support Services:					
Pupils	148,307	89,156			237,463
Instructional Staff	410,226	61,059	38,096		509,381
Board of Education	14,225				14,225
School Administration	597,965	9,212			607,177
Fiscal	209,166				209,166
Business	2,896				2,896
Operations and Maintenance	656,915	50			656,965
Student Transportation	345,319				345,319
Support Services - Central	15,252	5,000			20,252
Instructional Services:					
Community Services		254,874			254,874
Extracurricular Activities:					
Academic and Subject Oriented	15,332				15,332
Occupation Oriented	168,989				168,989
Sports Oriented	15,633	86,207			101,840
Facilities Acquisition and Construction Services:					
Site Improvement	1,612		122,826		124,438
Total Cash Disbursements	5,610,740	750,083	160,922		6,521,745
Total Cash Receipts Over/(Under) Cash Disbursements	(109,089)	(55,362)	36,748	1,000	(126,703)
Other Financing Sources (Uses)					
Transfers-In		3,132			3,132
Advances-In	128,718	5,653			134,371
Refund of Prior Year Expenditures		105			105
Advances-Out	(131,773)	(6,506)	(25,335)		(163,614)
Transfers-Out		(3,132)			(3,132)
Total Other Financing Sources (Uses)	(3,055)	(748)	(25,335)		(29,138)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(112,144)	(56,110)	11,413	1,000	(155,841)
Fund Cash Balances, July 1, 2000	2,039,712	242,475	80,750		2,362,937
Fund Cash Balances, June 30, 2001	\$1,927,568	\$186,365	\$92,163	\$1,000	\$2,207,096
Reserves for Encumbrances	\$119,697	\$50,402	\$89,810		\$259,909

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
OPERATING CASH RECEIPTS				
Food Service	\$139,452			\$139,452
Extracurricular Activities			\$108,581	108,581
Total Operating Cash Receipts	139,452		108,581	248,033
OPERATING CASH DISBURSEMENTS				
Personal Services-Salaries	107,703			107,703
Employees' Retirement and Insurance	24,428	\$40,049		64,477
Supplies and Materials	71,738		733	72,471
Other Objects			109,555	109,555
Total Operating Cash Disbursements	203,869	40,049	110,288	354,206
Operating Loss	(64,417)	(40,049)	(1,707)	(106,173)
NONOPERATING CASH RECEIPTS				
Miscellaneous	1,304	39,596		40,900
Intergovernmental	34,091			34,091
Total Nonoperating Cash Receipts	35,395	39,596	0	74,991
Excess of Cash Receipts (Under) Cash Disbursements	(29,022)	(453)	(1,707)	(31,182)
Advances-In	126,120			126,120
Advances-Out	(96,877)			(96,877)
Net Cash Receipts Over/(Under) Cash Disbursements	221	(453)	(1,707)	(1,939)
Fund Cash Balances, July 1, 2000	1,239	23,141	60,131	84,511
Fund Cash Balances, June 30, 2001	<u>\$1,460</u>	<u>\$22,688</u>	<u>\$58,424</u>	<u>\$82,572</u>
Reserves for Encumbrances	<u>\$1,460</u>	<u>\$1,840</u>		<u>\$3,300</u>

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Dalton 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 a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education, and is responsible for providing public education to residents of the District.

Average daily membership as of October 1, 2000 was 1,003. The District employed roughly 77 certificated employees and 45 non-certificated employees at that date.

Management believes the financial statements included in this report represent all of the funds over which the District has the ability to exercise direct operating control.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in a Fiscal Caution Status. This status requires the District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

C. Cash and Investments

Certificates of deposit, U.S. Government Agency Obligations, and Treasury Notes are valued at cost. The Black Rock GNMA mutual fund is also recorded at cost.

D. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the specific recording of receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

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 costs of providing goods and 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 purpose.

Internal Service Funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Funds (Trust and Agency Funds)

The **Expendable Trust Fund** is used to account for resources restricted by legally binding trust agreements.

The **Agency Fund** is used to account for assets held by the District as an agent for individuals, private organizations, other governmental units, and/or other funds.

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements 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 year.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official Certificate of Estimated Resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown in Note 3 do not include July 1, 2001, unencumbered fund balances. However, those fund balances are available for appropriations.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as site improvement disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. POOLED CASH AND INVESTMENTS

State statutes classify 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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money 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 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 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; and,
6. The State Treasurer's investment pool (STAR Ohio).

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

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.

Deposits - At June 30, 2001, the carrying amount of the District's deposits was \$148,949 and the bank balance was \$161,566. Deposits were either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments

The District's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which 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 or agent but not in the District's name.

2001	Category 3	Carrying Value
U.S. Government Agency Obligations	\$499,000	\$499,900
U.S. Treasury Notes	1,174,468	<u>1,174,468</u>
Total		1,674,368
Black Rock GNMA Mutual Fund		100,000
Star Ohio		<u>366,351</u>
Total		<u>\$2,140,719</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

Investments (Continued)

Investments in STAR Ohio and Black Rock GNMA Mutual Funds are not categorized investments because they are not evidenced by securities that exist in a physical or book entry form.

Restricted Cash - Included in the June 30, 2001, General Fund cash balance is restricted cash and cash equivalents of \$154,650 set aside for the Budget Stabilization Reserve. Although no longer required by state statute, the Budget Stabilization Reserve may still be set aside at the discretion of the School District. The General Fund cash balances also include restricted cash of \$206,200 to fund the District's Textbooks and Instruction Materials Reserve. This reserve may be spent on other things besides textbooks if certain conditions in the statute are satisfied. For fiscal year 2001, the District satisfactorily funded the required set-asides.

3. Budgetary Activity

Budgetary activity for the year ended June 30, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 7,560,189	\$ 5,630,369	\$ (1,929,820)
Special Revenue	925,992	703,611	(222,381)
Capital Projects	197,629	197,670	41
Enterprise	300,968	300,967	(1)
Internal Service	39,596	39,596	0
Fiduciary	1,000	1,000	0
Total	\$ 9,025,374	\$ 6,873,213	\$ (2,152,161)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,971,598	\$ 5,862,210	\$ 109,388
Special Revenue	912,532	810,123	102,409
Capital Projects	280,625	276,067	4,558
Enterprise	303,446	302,206	1,240
Internal Service	41,889	41,889	0
Total	\$ 7,510,090	\$ 7,292,495	\$ 217,595

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1998.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2001 was \$47.70 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$26.77 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$31.31 per \$1,000 of assessed valuation for all other real property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax (calendar) year 2001 was \$47.70 per \$1,000 of assessed valuation.

The Wayne County Treasurer collects property tax on behalf of all taxing districts within the county. The Wayne County Auditor periodically remits to the taxing districts their portions of the taxes collected.

5. INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

6. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (continued)

A. State Teachers Retirement System (continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14 percent of annual covered payroll. Contribution rates are established by the STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$478,245, \$432,086, and \$388,660, respectively; 100 percent has been contributed for fiscal years 2001, 2000 and 1999.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$161,522, \$149,038, and \$136,116, respectively; 100 percent has been contributed for fiscal years 2001, 2000 and 1999.

7. POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The retirement board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$92,298 for the 2001 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3,419 million at June 30, 2000 (latest information available). For the year ended June 30, 2000, the net health care costs paid by the STRS were \$283,137,000 and eligible benefit recipients totaled 99,011.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

7. POSTEMPLOYMENT BENEFITS (continued)

For School Employees Retirement System (SERS), coverage is made available to service retirees with 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to maximum of 75 percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care including the surcharge equaled \$47,944.

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

8. HEALTH INSURANCE

The District provides health insurance to most employees through Medical Mutual of Ohio and dental insurance through Mutual Health Services.

9. CONTINGENCIES

The District received financial assistance from federal and state 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 adverse effect on the overall financial position of the District at June 30, 2001.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001
(Continued)**

10. 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.

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

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

DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
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>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$16,525		\$17,190
National School Lunch Program	050542 LL-P1 0000	10.555	\$19,625		\$19,625	
	050542 LL-P4 0000		13,425		13,425	
Total United States Department of Agriculture - Child Nutrition Cluster			33,050	16,525	33,050	17,190
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	050542 6B-SF 20001 P	84.027	49,192		49,192	
Title I Grants to Local Educational Agencies	050542 C1-S1 2000	84.010			28,778	
	050542 C1-S1 2001		143,370		147,489	
	050542 C1-S1 2000 C		2,519		5,651	
Total Title I Grants to Local Educational Agencies			145,889		181,918	
Eisenhower Professional Development State Grants	050542 MS-S1-2001	84.281	5,129		2,127	
Innovative Educational Program Strategies	050542 C2-S1 2000	84.298	3,825		4,931	
	050542 C2-S1 2001		3,008		2,189	
	050542 C2-S1 99 C				545	
Total Innovative Education Program Strategies			6,833		7,665	
Title VI- R Classroom Size Reduction	050542 CR-S1 2001	84.340	23,058		23,058	
Safe and Drug-Free Schools and Communities State Grants	050542 DC-S1 1999	84.186	1,917		3,142	
Total United States Department of Education			232,018		267,102	
Total			\$265,068	\$16,525	\$300,152	\$17,190

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first.



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

Dalton Local School District
Wayne County
P.O. Box 514
Dalton, Ohio 44618

To the Board of Education:

We have audited the financial statements of Dalton Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 15, 2001 in which we noted the District is reporting on a basis of accounting formerly prescribed or permitted by the Auditor of State. 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-10985-001.

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 October 15, 2001.

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

This report is intended for the information and use of 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

October 15, 2001



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

Dalton Local School District
Wayne County
P.O. Box 514
Dalton, Ohio 44618

To the Board of Education:

Compliance

We have audited the compliance of Dalton Local School District, Wayne 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 year ended June 30, 2001. The 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

October 15, 2001

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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

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 material reported non-compliance at the financial statement level (GAGAS)?	Yes
(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 I Grants to Local Educational Agencies 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**

NONCOMPLIANCE

Finding Number	2001-10985-001
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GAAP Reporting

Ohio Admin. Code Section 117-2-03 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2001, the District prepared its financial statements on the basis of accounting formerly prescribed and permitted by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

3. FINDINGS FOR FEDERAL AWARDS

None.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-10985-001	The District did not comply with Ohio Admin. Code Section 117-2-03 and prepare financial statements in accordance with generally accepted accounting principles.	No	Not corrected
2000-10985-002	The Treasurer did not complete continuing education classes provided by the Auditor of State required under Ohio Rev. Code Sections 135.22.	Yes	
2000-10985-003	The District expended \$327,056 in federal awards in fiscal year 98/99 and did not have an annual Single Audit conducted until fiscal year 99/00.	Yes	



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DALTON LOCAL SCHOOL DISTRICT

WAYNE 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
NOVEMBER 8, 2001**