



**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SINGLE AUDIT**

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



**JIM PETRO**  
**AUDITOR OF STATE**

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STATE OF OHIO



**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Poland Local School District  
Mahoning County  
30 Riverside Drive  
Poland, Ohio 44514

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Poland Local School District, Mahoning County, (the Government) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Government'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 Poland Local School District, Mahoning County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2001 on our consideration of the Government'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 17, 2001

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

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS AND OTHER DEBITS</u></b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$1,719,727	\$230,597	\$262,975	\$6,225
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .				
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . . . .	8,126,073		920,839	86,532
Accounts . . . . .	4,194	813		
Accrued interest . . . . .	545			
Due from other governments . . . . .	3,000			
Materials and supplies inventory . . . . .				
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	233,475			
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .				
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .				
Amount to be provided for retirement of general long-term obligations . . . . .				
Total assets and other debits . . . . .	<u>\$10,087,014</u>	<u>\$231,410</u>	<u>\$1,183,814</u>	<u>\$92,757</u>

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



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$78,763	\$74,387			\$2,372,674
	13,093			13,093
				9,133,444
542				5,549
				545
				3,000
16,053				16,053
				233,475
101,818		\$13,458,017		13,559,835
			\$262,975	262,975
			6,969,106	6,969,106
<u>\$197,176</u>	<u>\$87,480</u>	<u>\$13,458,017</u>	<u>\$7,232,081</u>	<u>\$32,569,749</u>

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**POLAND LOCAL SCHOOLS  
MAHONING COUNTY, OHIO**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$38,317	\$23,266		\$1,881
Accrued wages and benefits . . . . .	1,622,467	62,926		
Compensated absences payable . . . . .	25,093			
Pension obligation payable . . . . .	210,142	7,536		
Deferred revenue . . . . .	8,126,073		\$920,839	86,532
Due to other governments . . . . .	2,532	158		
Due to students . . . . .				
General obligation bonds payable . . . . .				
General obligation notes payable . . . . .				
Energy conservation notes payable . . . . .				817,954
Tax anticipation note payable . . . . .				276,000
Obligation under capital lease . . . . .				
Total liabilities . . . . .	10,024,624	93,886	920,839	1,182,367
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .				
Retained earnings: unreserved . . . . .				
Fund balances:				
Reserved for encumbrances . . . . .	78,347	17,951		
Reserved for debt service . . . . .			262,975	
Reserved for principal endowment . . . . .				
Reserved for budget stabilization . . . . .	310,294			
Unreserved-undesignated (deficit) . . . . .	(326,251)	119,573		(1,089,610)
Total equity and other credits . . . . .	62,390	137,524	262,975	(1,089,610)
Total liabilities, equity and other credits . . . . .	\$10,087,014	\$231,410	\$1,183,814	\$92,757

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$423				\$63,887
33,006				1,718,399
30,080			\$1,117,138	1,172,311
38,223			90,784	346,685
9,633				9,143,077
				2,690
	\$74,387			74,387
			5,689,995	5,689,995
			223,689	223,689
				817,954
				276,000
			110,475	110,475
<u>111,365</u>	<u>74,387</u>		<u>7,232,081</u>	<u>19,639,549</u>
		13,458,017		13,458,017
85,811				85,811
				96,298
				262,975
	13,093			13,093
				310,294
				(1,296,288)
<u>85,811</u>	<u>13,093</u>	<u>13,458,017</u>		<u>12,930,200</u>
<u>\$197,176</u>	<u>\$87,480</u>	<u>\$13,458,017</u>	<u>\$7,232,081</u>	<u>\$32,569,749</u>

**POLAND LOCAL SCHOOLS  
MAHONING COUNTY, OHIO**

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

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$7,165,912		\$710,281	\$337,636	\$8,213,829
Earnings on investments . . . . .	123,544				123,544
Extracurricular . . . . .		\$360,941			360,941
Other local revenues . . . . .	145,140	18,881			164,021
Intergovernmental - State . . . . .	6,209,795	345,615	58,979	23,493	6,637,882
Intergovernmental - Federal . . . . .		269,616			269,616
<b>Total revenue . . . . .</b>	<b>13,644,391</b>	<b>995,053</b>	<b>769,260</b>	<b>361,129</b>	<b>15,769,833</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	7,568,074	40,613			7,608,687
Special . . . . .	484,276	87,525			571,801
Vocational . . . . .	278,237				278,237
Other . . . . .	98,314				98,314
Support services:					
Pupil . . . . .	905,725	29,704			935,429
Instructional staff . . . . .	237,413	42,844		55,470	335,727
Board of Education . . . . .	21,068				21,068
Administration . . . . .	1,099,415	90,323	7,756	2,904	1,200,398
Fiscal . . . . .	352,237				352,237
Business . . . . .	4,301				4,301
Operations and maintenance . . . . .	1,692,941	5,184			1,698,125
Pupil transportation . . . . .	813,069				813,069
Community services . . . . .		24,502			24,502
Extracurricular activities . . . . .	283,267	369,577			652,844
Facilities services . . . . .				333,656	333,656
Intergovernmental pass-through . . . . .		288,294			288,294
Debt service:					
Principal retirement . . . . .	55,170		364,135		419,305
Interest and fiscal charges . . . . .	9,516		311,474	64,984	385,974
<b>Total expenditures . . . . .</b>	<b>13,903,023</b>	<b>978,566</b>	<b>683,365</b>	<b>457,014</b>	<b>16,021,968</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(258,632)	16,487	85,895	(95,885)	(252,135)
Other financing sources (uses):					
Operating transfers in . . . . .				5,436	5,436
Operating transfers out . . . . .	(38,788)				(38,788)
<b>Total other financing sources . . . . .</b>	<b>(38,788)</b>			<b>5,436</b>	<b>(33,352)</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses . . . . .	(297,420)	16,487	85,895	(90,449)	(285,487)
Fund balances, July 1 . . . . .	359,810	121,037	177,080	(999,161)	(341,234)
Fund balances (deficit), June 30 . . . . .	\$62,390	\$137,524	\$262,975	(\$1,089,610)	(\$626,721)

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

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

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

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
<b>From local sources:</b>						
Taxes.....	\$7,036,916	\$7,047,109	\$10,193			
Tuition.....						
Earnings on investments.....	123,795	122,695	(1,100)			
Extracurricular.....				\$361,894	\$361,894	
Other local revenues.....	139,754	139,956	202	18,881	18,881	
Intergovernmental - State.....	6,197,817	6,206,795	8,978	345,616	345,616	
Intergovernmental - Federal.....				269,616	269,616	
Total revenues.....	<u>13,498,282</u>	<u>13,516,555</u>	<u>18,273</u>	<u>996,007</u>	<u>996,007</u>	
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular.....	9,007,394	7,531,441	1,475,953	41,635	36,381	5,254
Special.....	527,043	484,688	42,355	99,074	87,518	11,556
Vocational.....	290,090	281,111	8,979			
Other.....	98,314	98,314				
<b>Support services:</b>						
Pupil.....	953,735	906,242	47,493	35,022	29,657	5,365
Instructional staff.....	260,907	238,803	22,104	55,870	44,750	11,120
Board of Education.....	22,817	21,940	877			
Administration.....	1,161,857	1,108,659	53,198	98,904	88,650	10,254
Fiscal.....	378,570	350,638	27,932			
Business.....	5,101	4,301	800			
Operations and maintenance.....	1,885,791	1,767,710	118,081	5,170	4,767	403
Pupil transportation.....	841,301	817,873	23,428			
Community services.....				44,369	25,905	18,464
Extracurricular activities.....	283,912	282,912	1,000	472,333	386,407	85,926
Facilities services.....						
Intergovernmental pass-through.....				341,734	301,339	40,395
Debt service:						
Principal retirement.....						
Interest and fiscal charges.....						
Total expenditures.....	<u>15,716,832</u>	<u>13,894,632</u>	<u>1,822,200</u>	<u>1,194,111</u>	<u>1,005,374</u>	<u>188,737</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,218,550)</u>	<u>(378,077)</u>	<u>1,840,473</u>	<u>(198,104)</u>	<u>(9,367)</u>	<u>188,737</u>
<b>Other financing sources (uses):</b>						
Refund of prior year's expenditures.....	120,792	120,967	175			
Refund of prior year's (receipts).....				(391)	(391)	
Operating transfers in.....						
Operating transfers (out).....	(39,988)	(39,988)				
Total other financing sources (uses).....	<u>80,804</u>	<u>80,979</u>	<u>175</u>	<u>(391)</u>	<u>(391)</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)...	<u>(2,137,746)</u>	<u>(297,098)</u>	<u>1,840,648</u>	<u>(198,495)</u>	<u>(9,758)</u>	<u>188,737</u>
Fund balances, July 1.....	2,035,858	2,035,858		112,620	112,620	
Prior year encumbrances appropriated...	101,454	101,454		86,360	86,360	
Fund balances, June 30.....	<u>(\$434)</u>	<u>\$1,840,214</u>	<u>\$1,840,648</u>	<u>\$485</u>	<u>\$189,222</u>	<u>\$188,737</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$976,325	\$976,325		\$71,591	\$71,591		\$8,084,832	\$8,095,025	\$10,193
						139,754	139,956	
						123,795	122,695	(1,100)
						361,894	361,894	
						158,635	158,837	202
58,979	58,979		23,493	23,493		6,625,905	6,634,883	8,978
						269,616	269,616	
<u>1,035,304</u>	<u>1,035,304</u>		<u>95,084</u>	<u>95,084</u>		<u>15,624,677</u>	<u>15,642,950</u>	<u>18,273</u>
						9,049,029	7,567,822	1,481,207
						626,117	572,206	53,911
						290,090	281,111	8,979
						98,314	98,314	
			59,625	55,386	4,239	988,757	935,899	52,858
						376,402	338,939	37,463
						22,817	21,940	877
7,909	7,756	153	2,904	2,904		1,271,574	1,207,969	63,605
						378,570	350,638	27,932
						5,101	4,301	800
						1,890,961	1,772,477	118,484
						841,301	817,873	23,428
						44,369	25,905	18,464
						756,245	669,319	86,926
			337,455	337,266	189	337,455	337,266	189
						341,734	301,339	40,395
565,195	565,195					565,195	565,195	
639,281	376,459	262,822				639,281	376,459	262,822
<u>1,212,385</u>	<u>949,410</u>	<u>262,975</u>	<u>399,984</u>	<u>395,556</u>	<u>4,428</u>	<u>18,523,312</u>	<u>16,244,972</u>	<u>2,278,340</u>
(177,081)	85,894	262,975	(304,900)	(300,472)	4,428	(2,898,635)	(602,022)	2,296,613
						120,792	120,967	175
						(391)	(391)	
			5,436	5,436		5,436	5,436	
						(39,988)	(39,988)	
			<u>5,436</u>	<u>5,436</u>		<u>85,849</u>	<u>86,024</u>	<u>175</u>
(177,081)	85,894	262,975	(299,464)	(295,036)	4,428	(2,812,786)	(515,998)	2,296,788
177,081	177,081		78,697	78,697		2,404,256	2,404,256	
			220,767	220,767		408,581	408,581	
	<u>\$262,975</u>	<u>\$262,975</u>		<u>\$4,428</u>	<u>\$4,428</u>	<u>\$51</u>	<u>\$2,296,839</u>	<u>\$2,296,788</u>

POLAND LOCAL SCHOOLS  
MAHONING COUNTY, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>			
Tuition and fees . . . . .	\$106,107		\$106,107
Sales/charges for services . . . . .	534,226		534,226
Investment earnings . . . . .		\$710	710
<b>Total operating revenues . . . . .</b>	<b>640,333</b>	<b>710</b>	<b>641,043</b>
<b>Operating expenses:</b>			
Personal services . . . . .	321,281		321,281
Contract services . . . . .	362,455		362,455
Materials and supplies . . . . .	43,951		43,951
Depreciation . . . . .	13,367		13,367
Other . . . . .	144		144
<b>Total operating expenses . . . . .</b>	<b>741,198</b>		<b>741,198</b>
Operating income (loss) . . . . .	(100,865)	710	(100,155)
<b>Nonoperating revenues:</b>			
Operating grants . . . . .	53,590		53,590
Federal commodities . . . . .	35,415		35,415
Interest revenue . . . . .	844		844
<b>Total nonoperating revenues . . . . .</b>	<b>89,849</b>		<b>89,849</b>
Net income (loss) before operating transfers . . . . .	(11,016)	710	(10,306)
Operating transfers in . . . . .	33,352		33,352
Net income . . . . .	22,336	710	23,046
Retained earnings/fund balance, July 1. . . . .	63,475	12,383	75,858
Retained earnings/fund balance, June 30. . . . .	<u>\$85,811</u>	<u>\$13,093</u>	<u>\$98,904</u>

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



POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO

**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees . . . . .	\$105,667		\$105,667
Cash received from sales/service charges . . . . .	538,608		538,608
Cash payments for personal services . . . . .	(324,963)		(324,963)
Cash payments for contract services . . . . .	(380,458)		(380,458)
Cash payments for supplies and materials . . . . .	(12,530)		(12,530)
Cash payments for other expenses . . . . .	(144)		(144)
Net cash used in operating activities . . . . .	<u>(73,820)</u>		<u>(73,820)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants . . . . .	56,334		56,334
Cash received from operating transfers in . . . . .	33,352		33,352
Net cash provided by noncapital financing activities . . . . .	<u>89,686</u>		<u>89,686</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets . . . . .	(4,593)		(4,593)
Net cash used in capital and related financing activities . . . . .	<u>(4,593)</u>		<u>(4,593)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	844	\$710	1,554
Net cash provided by investing activities . . . . .	<u>844</u>	<u>710</u>	<u>1,554</u>
Net increase in cash and cash equivalents . . . . .	12,117	710	12,827
Cash and cash equivalents at beginning of year . . . . .	66,646	12,383	79,029
Cash and cash equivalents at end of year . . . . .	<u>\$78,763</u>	<u>\$13,093</u>	<u>\$91,856</u>
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss) . . . . .	(\$100,865)	\$710	(\$100,155)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation . . . . .	13,367		13,367
Federal donated commodities . . . . .	35,415		35,415
Interest reported as operating income . . . . .		(710)	(710)
Changes in assets and liabilities:			
Increase in supplies inventory . . . . .	(2,255)		(2,255)
Decrease in accounts receivable . . . . .	3,942		3,942
Decrease in accounts payable . . . . .	(18,171)		(18,171)
Decrease in accrued wages and benefits . . . . .	(2,783)		(2,783)
Decrease in compensated absences payable . . . . .	(5,984)		(5,984)
Decrease in due to other governments . . . . .	(42)		(42)
Increase in pension obligation payable . . . . .	5,085		5,085
Decrease in deferred revenue . . . . .	(1,529)		(1,529)
Net cash used in operating activities . . . . .	<u>(\$73,820)</u>		<u>(\$73,820)</u>

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

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**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Poland Local School District ("District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a School District to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms by the citizens of the District.

The District serves an area of approximately 25 square miles in Mahoning County, including all of the village of Poland and portions of surrounding townships.

The District is the 208<sup>th</sup> largest in the State of Ohio (among the 660 public and community school districts in the state) in terms of enrollment. It currently operates three elementary schools, one middle school, and one comprehensive high school. The District is staffed by 142 non-certificated and 87 certificated personnel to provide services to approximately 2,463 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a joint venture among 22 school districts and 2 county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution. ACCESS is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in ACCESS as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507-1693.

Mahoning County Joint Vocational School

The Mahoning County Joint Vocational School is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. Each school district's control is limited to its representation on the board. During fiscal year 2000, no monies were received from the District. To obtain financial information write to the Treasurer at the Mahoning County Joint Vocational School, 7300 North Palmyra Road, Canfield, Ohio 44406.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

*PROPRIETARY FUNDS*

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

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*FIDUCIARY FUNDS*

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

*ACCOUNT GROUPS*

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

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

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

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

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**D. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 13 discloses encumbrances outstanding for the enterprise funds at fiscal year end.

**E. Cash and Investments**

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

During fiscal 2000, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices. Investments in nonparticipating investment contracts, like repurchase agreements, are reported at cost.



**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District has invested funds in STAR Ohio during fiscal 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

The Sky Bank Investment (SWEEP) Account is a bank account utilized (by the bank) to account for public monies "swept-into" (transferred) from the General Operating Bank Account and subsequently invested into Repurchase Agreements.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2000 amounted to \$123,544, which includes \$31,643 assigned from other District funds.

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

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

**F. Inventory**

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

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Fixed Assets and Depreciation**

*A. General Fixed Assets Account Group*

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5 - 20

**H. Intergovernmental Revenues**

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

Entitlements

- General Fund
- State Foundation Program
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

- Special Revenue Funds
- Education Management Information Systems
- Title VI-R
- Title I
- Drug Free Schools
- Auxiliary Services
- Teacher Development
- Ohio Reads
- Title VI-B
- Title VI
- Safe-School Help Line

Capital Projects Funds

- SchoolNet

Reimbursable Grants

- General Fund
- Driver Education Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 42% of the District's operating revenue during the 2000 fiscal year.

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences**

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

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

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

**J. 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 financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Under Ohio law, a debt retirement fund may be created and used for the payment of debt principal and interest. GAAP requires the allocation of the debt liability among the general and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

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

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, budget stabilization and principal endowment. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2000.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

See Note 5 for an analysis of interfund transactions.

**M. Restricted Assets**

Restricted assets in the general fund represent 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. See Note 18 for detail of statutory reserves.

**N. Estimates**

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

**O. Memorandum Only - Total Columns**

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balance at June 30, 2000 include the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Education Management Information Systems	\$ (47)
Title VI-R	(173)
 <u>Capital Project Fund</u>	
Permanent Improvement	(1,093,765)

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

The deficit fund balance in the Title VI-R and Education Management Information System special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit fund balance in the Permanent Improvement capital projects fund is caused by recording the energy conservation notes and the tax anticipation notes as a fund liability of the fund which received the proceeds. This deficit balance will be eliminated by future revenues and other subsidies not recognized and recorded at June 30.

**B. Agency Fund**

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

<u>ASSETS</u>	
Accounts receivable	\$211
 <u>LIABILITIES</u>	
Accounts payable	\$6,352

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

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

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**4. EQUITY IN 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 monies deposited with the institution.

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**4. EQUITY IN 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.

*Cash on hand:* At fiscal year end, the District had \$75 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$(2,365) and the bank balance was \$3,075. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank account. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance.

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

	Category 3	Reported Amount	Fair Value
Repurchase agreements	<u>\$95,466</u>	\$ 95,466	\$ 95,466
Investment in STAR Ohio		<u>2,526,066</u>	<u>2,526,066</u>
Total investments		<u>\$2,621,532</u>	<u>\$2,621,532</u>

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,619,242	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	(2,526,066)	2,526,066
Repurchase Agreement	(95,466)	95,466
Cash on hand	(75)	---
GASB Statement No. 3	<u>\$ (2,365)</u>	<u>\$2,621,532</u>

**5. INTERFUND TRANSACTIONS**

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$38,788
<u>Capital Projects Funds</u>		
Permanent Improvement	5,436	---
<u>Enterprise Funds</u>		
Food Service	33,352	---
Total	<u>\$38,788</u>	<u>\$38,788</u>

**6. PROPERTY TAXES**

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$321,533,980. Agricultural/Residential and public utility/minerals real estate represented 75.91% or \$50,168,380 of this total; Commercial & Industrial real estate represented 15.60% or \$50,168,380 of this total, public utility tangible represented 3.72% or \$11,974,120 of this total and general tangible property represented 4.77% or \$15,324,190 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$41.05 per \$1,000.00 of assessed valuation for operations, \$1.00 per \$1,000.00 of assessed valuation for permanent improvements and \$1.80 per \$1,000.00 of assessed valuation for bond retirement.



**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. PROPERTY TAXES**

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no property tax advances available to the District at June 30, 2000.

**7. RECEIVABLES**

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

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$8,126,073
Accounts	4,194
Accrued Interest	545
Due from other governments	3,000
 <u>Special Revenue Funds</u>	
Accounts	813
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	920,839
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	86,532
 <u>Enterprise Funds</u>	
Accounts	542

**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**8. FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/improvements	\$ 709,852	\$ - - -	\$ - - -	\$ 709,852
Buildings/improvements	7,550,328	330,401	- - -	7,880,729
Furniture/equipment	3,184,343	103,090	(31,498)	3,255,935
Vehicles	<u>1,065,501</u>	<u>546,000</u>	- - -	<u>1,611,501</u>
Total	<u>\$12,510,024</u>	<u>\$979,491</u>	<u>\$(31,498)</u>	<u>\$13,458,017</u>

There was no significant construction in progress at June 30, 2000.

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

Furniture and equipment	\$ 340,374
Less: accumulated depreciation	<u>(238,556)</u>
Net fixed assets	<u>\$ 101,818</u>

**9. CAPITALIZED LEASES - LESSEE DISCLOSURE**

In a prior year, the District entered into a capital lease for the acquisition of computer equipment. The terms of the lease agreements provide options to purchase the equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the Combined Financial Statements for the governmental funds. These expenditures are reflected as Statements for the general funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2000 fiscal year totaled \$55,170. This amount is reflected as debt service principle retirement in the general fund.

The following is an analysis of equipment under capital lease as of June 30, 2000:

	<u>General Fixed</u> <u>Assets</u>
Computers	\$189,440

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2000:

<u>Fiscal Year</u>	<u>General Long-Term Obligations</u>	<u>Amount</u>
2001		\$ 73,246
2002		37,433
2003		<u>6,509</u>
Total minimum lease payments		117,188
Less: amount representing interest		<u>(6,713)</u>
Present value of future minimum lease payments		<u>\$110,475</u>

**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**10. LONG-TERM OBLIGATIONS**

All current obligation bonds and notes outstanding, issued to provide funds for the acquisition and construction 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 obligations account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 5.60 mill bonded debt tax levy.

**A.** The following is a description of the District's long-term debt obligations outstanding as of June 30, 2000:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 1999</u>	<u>Retired in 2000</u>	<u>Outstanding June 30, 2000</u>
Energy Conservation Note	4.54%	04/22/96	10/01/00	\$ 288,964	\$(199,118)	\$ 89,846
Energy Conservation Note	5.30%	04/22/96	04/01/04	163,859	(30,016)	133,843
Capital Improvement Bond II	5.30%	11/12/97	12/01/22	3,454,998	(70,000)	3,384,998
Capital Improvement Bond	5.8782%	09/13/95	12/01/16	<u>2,369,998</u>	<u>(65,001)</u>	<u>2,304,997</u>
				<u>\$6,277,819</u>	<u>\$(364,135)</u>	<u>\$5,913,684</u>

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

<u>Fiscal Year Ending</u>	<u>Principal on General Obligation Debt</u>	<u>Interest on General Obligation Debt</u>	<u>Total</u>
2001	\$ 238,202	\$ 329,492	\$ 567,694
2002	150,628	333,491	484,119
2003	174,423	340,478	514,901
2004	175,481	337,857	513,338
2005	148,776	334,750	483,526
2006 - 2010	1,118,392	1,254,084	2,372,476
2011 - 2015	1,512,782	893,728	2,406,510
2016 - 2020	1,565,000	399,233	1,964,233
2021 - 2023	<u>830,000</u>	<u>67,841</u>	<u>897,841</u>
Total	<u>\$5,913,684</u>	<u>\$4,290,954</u>	<u>\$10,204,638</u>

**C.** During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid. The capital lease obligation is paid from the general fund.

**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**10. LONG-TERM OBLIGATIONS (Continued)**

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
General obligation notes payable	\$ 452,823	\$ ---	\$(229,134)	\$ 223,689
General obligation bond payable	5,824,996	---	(135,001)	5,689,995
Compensated absences	969,337	167,401	(19,600)	1,117,138
Pension obligation payable	87,573	90,784	(87,573)	90,784
Capital leases obligation	<u>165,645</u>	<u>---</u>	<u>(55,170)</u>	<u>110,475</u>
Total	<u>\$7,500,374</u>	<u>\$258,185</u>	<u>\$(526,478)</u>	<u>\$7,232,081</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$23,511,037 (including available funds of \$262,975) and an unvoted debt margin of \$321,534.

**11. NOTES PAYABLE**

During fiscal year 1998, the District issued an energy conservation note and a permanent improvement note. The primary source of repayment of the energy conservation and permanent improvement note is through property tax revenue. The unmatured obligations at year end are shown as liabilities of the Permanent Improvement capital projects fund, the fund that received the note proceeds.

The following are the District's notes payable transactions for the year ended June 30, 2000:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 1999</u>	<u>Retired in 2000</u>	<u>Balance June 30, 2000</u>
Energy Conservation Note	5.29%	09/25/97	10/01/07	\$ 927,014	\$(109,060)	\$ 817,954
Permanent Improvement Note II	4.70%	12/18/97	12/01/02	<u>368,000</u>	<u>(92,000)</u>	<u>276,000</u>
Total				<u>\$1,295,014</u>	<u>\$(201,060)</u>	<u>\$1,093,954</u>

**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**12. RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments. Real property, building and contents are fully insured.

The business auto coverage limits are \$1,000,000 for liability and bodily injury for each person and each accident. The property damage liability limit is \$1,000,000. The uninsured bodily injury and under insured motorists has a liability limit of \$1,000,000 each person and each accident. Comprehensive has a \$100 deductible and collision has a \$500 deductible.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$5,000,000 annual aggregate.

The District has a liability limit of \$500,000 for boiler insurance with a deductible of \$1,000.

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

**B. Employee Group Health Insurance**

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 13 member school districts. The plan was organized to provide medical, prescription, dental, vision, and life benefits to its member organizations. Professional Risk Management acts in the capacity of third party administrators for claims processing.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims or payments are made for all participating districts and claims are paid for all participants regardless of claims flow. The District is responsible for paying, per year, health plan claims up to \$135,000 per individual and \$14,600,000 per school-wide aggregate, prior to coverage by a stop/loss carrier.

The District pays the insurance premiums for all full-time employees and for the part-time employees, the premiums paid by the District, are based upon the percentage worked.

**C. Workers' Compensation**

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

**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**12. RISK MANAGEMENT - (Continued)**

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

**13. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and an adult education program. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$534,226	\$106,107	\$640,333
Operating expenses			
before depreciation	632,518	95,313	727,831
Depreciation	13,213	154	13,367
Operating income (loss)	(111,505)	10,640	(100,865)
Operating grants	53,590	---	53,590
Net income	11,696	10,640	22,336
Net working capital	(36,679)	50,752	14,073
Total assets	134,456	62,720	197,176
Total liabilities	103,836	7,529	111,365
Total equity	30,620	55,191	85,811
Encumbrances at 6/30/00	---	2,167	2,167

**14. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

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

**14. DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$229,182, \$265,247, and \$221,817, respectively; 47 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$120,564, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,018,339, \$982,133, and \$905,408, respectively; 82 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$183,060, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

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

**15. POSTEMPLOYMENT BENEFITS**

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

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**15. POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$591,908 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$185,092 during the 2000 fiscal year.

**16. BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);



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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**16. BUDGETARY BASIS OF ACCOUNTING -(Continued)**

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

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

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(297,098)	\$(9,758)	\$ 85,894	\$(295,036)
Net adjustment for revenue accruals	127,836	(954)	(266,044)	266,045
Net adjustment for expenditure accruals	(121,379)	(14,567)	266,045	(63,255)
Net adjustment for other financing sources (uses)	(119,767)	391	---	---
Encumbrances (budget basis)	<u>112,988</u>	<u>41,375</u>	<u>---</u>	<u>1,797</u>
GAAP basis	<u>\$(297,420)</u>	<u>\$ 16,487</u>	<u>\$ 85,895</u>	<u>\$ (90,449)</u>

**17. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**B. Litigation**

The District is not currently a party to any legal proceedings.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$5,144,679 of school foundation support for its general fund.

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JUNE 30, 2000  
(Continued)**

**17. CONTINGENCIES (Continued)**

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

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

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

**18. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Balance as of 7/1/99	\$0	\$0	\$191,491	\$191,491
Current Year Set-Aside Requirement	356,408	356,408	118,803	831,619
<u>Current Year Offsets</u>				
Proceeds from Permanent Improvement Levy	0	77,662	0	77,662
Fund Disbursements from Note Proceeds	0	10	0	10
Fund Disbursements from Bond Proceeds	0	246,265	0	246,265
BWC Refund - FY 98	0	0	(72,394)	(72,394)
Amount Set Aside in Excess of Required Set-Aside FY 99	0	0	(4,425)	(4,425)
Qualifying Disbursements	<u>(503,906)</u>	<u>(278,746)</u>	<u>0</u>	<u>(782,652)</u>
Total	<u>(\$147,498)</u>	<u>\$401,599</u>	<u>\$233,475</u>	<u>\$487,576</u>
June 30, 2000 Set-Aside Carried Forward Balance	<u>(\$147,498)</u>	<u>\$246,275</u>	<u>\$233,475</u>	<u>\$332,252</u>

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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

**18. STATUTORY RESERVES - (Continued)**

The District had offsets and qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future years. However, GAAP prohibits showing negative reserves on the balance sheet and the only amount reflected on the balance sheet is from the budget stabilization reserve.

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

Amount restricted for budget stabilization	\$ <u>233,475</u>
Total restricted assets	\$ <u>233,475</u>

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POLAND LOCAL SCHOOL DISTRICT  
 MAHONING 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>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$33,886		\$35,415
National School Lunch Program		10.555	54,868		54,868	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>54,868</u>	<u>33,886</u>	<u>54,868</u>	<u>35,415</u>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Employment Services and Job Training Pilot and Demonstration Programs	WK-BE-98	17.249			5,000	
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99 6B-SF-00	84.027	(267) 146,587		26,260 118,478	
Total Special Education Cluster			<u>146,320</u>		<u>144,738</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99 C1-S1-00	84.010	67,432		12,413 54,955	
Total Grants to Local Educational Agencies			<u>67,432</u>		<u>67,368</u>	
Drug-Free Schools Grant	DR-S1-99 DR-S1-00	84.186	11,708		2,500 8,915	
Total Drug-Free Schools Grant			<u>11,708</u>		<u>11,415</u>	
Innovative Educational Program Strategies	C2-S1-99 C2-S1-00	84.298	2,116 15,932		2,597 12,260	
Total Innovative Educational Program			<u>18,048</u>		<u>14,857</u>	
Class Size Reduction	CR-S1-00	84.340	25,841		20,871	
Total U.S. Department of Education			<u>269,349</u>		<u>259,249</u>	
<b>Totals</b>			<u><u>\$324,217</u></u>	<u><u>\$33,886</u></u>	<u><u>\$319,117</u></u>	<u><u>\$35,415</u></u>

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
FISCAL YEAR ENDED JUNE 30, 2000**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**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--FOOD DISTRIBUTION**

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.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Poland Local School District  
Mahoning County  
30 Riverside Drive  
Poland, Ohio 44514

To the Board of Education:

We have audited the financial statements of Poland Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated January 17, 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 Poland Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

**Jim Petro**  
Auditor of State

January 17, 2001





STATE OF OHIO  
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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**

Poland Local School District  
Mahoning County  
30 Riverside Drive  
Poland, Ohio 44514

To the Board of Education:

**Compliance**

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

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

**Internal Control Over Compliance**

The management of Poland 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 Poland 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.

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

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

**Jim Petro**  
Auditor of State

January 17, 2001

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
JUNE 30, 2000**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster 84.027 - Special Education Grants to States Nutrition Cluster 10.550 - Food Distribution 10.555 - National School Lunch
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**POLAND LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 22, 2001**