



**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups - June 30, 2001	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended June 30, 2001	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget - Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types For The Year Ended June 30, 2001	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balance - All Proprietary Fund Types and Non-Expendable Trust Funds - For the Year Ended June 30, 2001	10
Combined Statement of Cash Flows - All Proprietary Fund Types and Non-Expendable Trust Funds For The Year Ended June 30, 2001	11
Notes to the General-Purpose Financial Statements	13
Schedule of Federal Awards Expenditures	43
Notes to the Schedule of Federal Awards Expenditures	44
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	47
Schedule of Findings	49
Schedule of Prior Audit Findings	52

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311-9532

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bellefontaine City School District, Logan County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Non exchange Transactions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 21, 2002

This page intentionally left blank

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,099,729	\$426,881	\$669,858	\$1,850,254
Investments:				
Investments				
Receivables:				
Taxes	6,853,883		1,137,367	210,691
Accounts	49,007	3,965		
Intergovernmental	19,678	368,834		3,436
Accrued Interest	570			
Interfund Receivable	348,709			
Materials and Supplies Inventory				
Prepaid Items	35,395			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	208,918			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund for Retirement of Debt Provided from General Government Resources				
Total Assets and Other Debits	<u>10,615,889</u>	<u>799,680</u>	<u>1,807,225</u>	<u>2,064,381</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	57,259	19,545		100,170
Contracts Payable				391,705
Accrued Wages and Benefits	1,727,336	54,143		
Compensated Absences Payable	23,715			
Interfund Payable		324,071		
Intergovernmental Payable	264,478	10,542		
Deferred Revenue	6,608,866	345,237	1,086,190	201,492
Due to Students				
Claims Payable				
Estimate for Incurred but not Reported Claims				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>8,681,654</u>	<u>753,538</u>	<u>1,086,190</u>	<u>693,367</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	137,837	131,216		1,110,124
Reserved for Prepaid Items	35,395			
Reserved for Debt Service Principal			669,858	
Reserved for Endowments				
Reserved for Property Taxes	245,017		51,177	9,199
Reserved for Textbooks & Instructional Materials	128,225			
Reserved for Budget Stabilization	80,693			
Designated for Budget Stabilization	118,165			
Unreserved:				
Unreserved, Undesignated	1,188,903	(85,074)		251,691
Total Fund Equity and Other Credits	<u>1,934,235</u>	<u>46,142</u>	<u>721,035</u>	<u>1,371,014</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$10,615,889</u>	<u>\$799,680</u>	<u>\$1,807,225</u>	<u>\$2,064,381</u>

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

Proprietary Fund Types		Fiduciary Fund Types	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency			
\$5,722	\$469,457	\$168,344			\$6,690,245
		9,489			9,489
					8,201,941
5,846	296	534			59,648
66,195					458,143
					570
					348,709
36,741					36,741
					35,395
					208,918
292,758 (224,534)			24,117,487		24,410,245 (224,534)
				721,035	721,035
				13,628,779	13,628,779
<u>182,728</u>	<u>469,753</u>	<u>178,367</u>	<u>24,117,487</u>	<u>14,349,814</u>	<u>54,585,324</u>
2,714		140			179,828
					391,705
57,227					1,838,706
27,324				1,420,822	1,471,861
24,638					348,709
35,863				133,336	444,219
24,617					8,266,402
		99,916			99,916
	235,310				235,310
	325,542				325,542
				410,000	410,000
				12,385,656	12,385,656
<u>172,383</u>	<u>560,852</u>	<u>100,056</u>		<u>14,349,814</u>	<u>26,397,854</u>
			24,117,487		24,117,487
10,345	(91,099)				(80,754)
					1,379,177
					35,395
					669,858
		30,000			30,000
					305,393
					128,225
					80,693
					118,165
		48,311			1,403,831
10,345	(91,099)	78,311	24,117,487		28,187,470
<u>\$182,728</u>	<u>\$469,753</u>	<u>\$178,367</u>	<u>\$24,117,487</u>	<u>\$14,349,814</u>	<u>\$54,585,324</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Fund Types Expendable Trust	Totals (Memorandum Only)
Revenues:						
Intergovernmental	\$9,086,681	\$793,015	\$102,594	\$227,143		\$10,209,433
Interest	226,212			435,162	1,625	662,999
Tuition and Fees	88,061					88,061
Extracurricular Activities		233,585			5,690	239,275
Gifts and Donations		149,308		514,342		663,650
Property & Other Local Taxes	6,835,854		1,093,082	202,766		8,131,702
Miscellaneous	140,313			23,325	1,348	164,986
Total Revenues	16,377,121	1,175,908	1,195,676	1,402,738	8,663	20,160,106
Expenditures:						
Instruction:						
Regular	7,583,701	354,006		3,719		7,941,426
Special	1,675,118	350,872				2,025,990
Vocational	677,588	800				678,388
Other	260,851					260,851
Support services:						
Pupils	667,571	62,007			1,381	730,959
Instructional Staff	730,045	291,976				1,022,021
Board of Education	129,870					129,870
Administration	1,357,400	87,556				1,444,956
Fiscal	301,883		\$24,364	4,525		330,772
Business	149,720					149,720
Operation and Maintenance of Plant	1,483,697	24,810		185,327		1,693,834
Pupil Transportation	482,944					482,944
Central	197,516	13,634			5,918	217,068
Non-Instructional Services	9,221	1,586			1,200	12,007
Extracurricular activities	273,702	177,398				451,100
Capital Outlay	140			9,112,805		9,112,945
Debt Service:						
Debt Service - Principal			520,000			520,000
Debt Service - Interest			578,805			578,805
Total Expenditures	15,980,967	1,364,645	1,123,169	9,306,376	8,499	27,783,656
Excess of Revenues Over (Under) Expenditures	396,154	(188,737)	72,507	(7,903,638)	164	(7,623,550)
Other Financing Sources and Uses						
Operating Transfers In			91,805			91,805
Operating Transfers Out	(91,805)					(91,805)
Refund of Prior Year Receipts						
Total Other Financing Sources (Uses)	(91,805)		91,805			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	304,349	(188,737)	164,312	(7,903,638)	164	(7,623,550)
Fund Balance at Beginning of Year Restated See Note 4	1,629,886	234,879	556,723	9,274,652	42,579	11,738,719
Fund Balance at End of Year	\$1,934,235	\$46,142	\$721,035	\$1,371,014	\$42,743	\$4,115,169

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

This page intentionally left blank.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$9,103,439	\$9,078,188	(\$25,251)
Interest	255,960	226,695	(29,265)
Tuition and Fees	61,515	94,975	33,460
Extracurricular Activities			
Gifts and Donations			
Property & Other Local Taxes	6,492,152	6,540,083	47,931
Miscellaneous	108,542	91,306	(17,236)
Total Revenues	16,021,608	16,031,247	9,639
Expenditures:			
Current:			
Instruction:			
Regular	7,882,992	7,579,078	303,914
Special	1,515,888	1,676,208	(160,320)
Vocational	674,568	704,992	(30,424)
Other	339,627	260,851	78,776
Support services:			
Pupils	728,697	656,408	72,289
Instructional Staff	715,658	725,419	(9,761)
Board of Education	176,697	142,450	34,247
Administration	1,401,236	1,343,022	58,214
Fiscal	302,842	303,284	(442)
Business	166,319	157,658	8,661
Operation and Maintenance of Plant	1,531,875	1,484,844	47,031
Pupil Transportation	444,773	478,291	(33,518)
Central	188,341	198,086	(9,745)
Non-Instructional Services	13,679	5,468	8,211
Extracurricular activities	277,281	270,658	6,623
Capital Outlay			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Contingencies	175	140	35
Total Expenditures	16,360,648	15,986,857	373,791
Excess of Revenues Over (Under) Expenditures	(339,040)	44,390	383,430
Other Financing Sources and Uses			
Refund of Prior Year Expenditures			
Transfers In			
Operating Transfers Out	(92,522)	(91,805)	717
Total Other Financing Sources (Uses)	(92,522)	(91,805)	717
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(431,562)	(47,415)	384,147
Fund Balances at Beginning of Year	3,420,645	3,420,645	
Prior Year Encumbrances Appropriated	89,032	89,032	
Fund Balance at end of Year	\$3,078,115	\$3,462,262	\$384,147

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

Governmental Fund Types

Special Revenue			Debt Service			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$1,375,314	\$827,061	(\$548,253)	\$102,594	\$102,594		\$227,142	\$223,707	(\$3,435)
						486,582	505,098	18,516
220,941	231,398	10,457						
			1,104,066	1,104,067	1	204,814	204,814	
406,859	238,336	(168,523)				1,023,325	537,667	(485,658)
2,003,114	1,296,795	(706,319)	1,206,660	1,206,661	1	1,941,863	1,471,286	(470,577)
662,151	438,728	223,423				172,422	71,629	100,793
484,874	369,912	114,962						
800	800					7,717	7,192	525
	9,515	(9,515)						
21,309	62,196	(40,887)						
558,225	328,121	230,104						
60,390	85,505	(25,115)						
1,500	1,500		25,000	24,364	636	5,000	4,525	475
36,504	27,603	8,901				304,906	194,744	110,162
16,155	13,624	2,531						
2,586	1,586	1,000						
192,504	181,698	10,806						
						10,146,493	10,138,409	8,084
			520,000	520,000				
			578,805	578,805				
2,036,998	1,519,288	517,710	1,123,805	1,123,169	636	10,636,538	10,416,499	220,039
(33,884)	(222,493)	(188,609)	82,855	83,492	637	(8,694,675)	(8,945,213)	(250,538)
(1,723)	(1,203)	520						
			91,805	91,805				
(10)		10						
(1,733)	(1,203)	530	91,805	91,805				
(35,617)	(223,696)	(188,079)	174,660	175,297	637	(8,694,675)	(8,945,213)	(250,538)
90,785	90,785		494,561	494,561		(121,180)	(121,180)	
85,019	85,019					9,296,809	9,296,809	
\$140,187	(\$47,892)	(\$188,079)	\$669,221	\$669,858	\$637	\$480,954	\$230,416	(\$250,538)

**BELLEVILLE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:				
Sales	\$497,101			\$497,101
Charges for Services		1,835,091		1,835,091
Interest			2,888	2,888
Other Revenues	366	296		662
Total Operating Revenues	<u>497,467</u>	<u>1,835,387</u>	<u>2,888</u>	<u>2,335,742</u>
Operating Expenses:				
Salaries	301,733			304,580
Fringe Benefits	113,083			110,236
Purchased Services	8,551	1,967,631		1,976,182
Materials and Supplies	387,234			387,234
Depreciation	6,285			6,285
Other	475		3,150	3,625
Total Operating Expenses	<u>817,361</u>	<u>1,967,631</u>	<u>3,150</u>	<u>2,788,142</u>
Operating Income (Loss)	(319,894)	(132,244)	(262)	(452,400)
Non-Operating Revenues (Expenses):				
Federal Donated Commodities	63,815			63,815
Interest	898	3,807		4,705
Federal and State Subsidies	258,500			258,500
Total Non-Operating Revenues and Expenses	<u>323,213</u>	<u>3,807</u>		<u>327,020</u>
Net Income (Loss)	3,319	(128,437)	(262)	(125,380)
Retained Earnings/Fund Balances at July 1	<u>7,026</u>	<u>37,338</u>	<u>35,830</u>	<u>80,194</u>
Retained Earnings/Fund Balances at June 30	<u>\$10,345</u>	<u>(\$91,099)</u>	<u>\$35,568</u>	<u>(\$45,186)</u>

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$492,112			\$492,112
Cash Received from Charges for Services		1,835,315		1,835,315
Cash Payments to Suppliers for Goods and Service	(322,501)			(322,501)
Cash Payments for Contract Services	(8,551)	(1,627,710)		(1,636,261)
Cash Payments for Employee Services	(274,659)			(274,659)
Cash Payments for Employee Benefits	(134,302)			(134,302)
Other Cash Payments	(475)		(3,150)	(3,625)
Net Cash Provided (Used) for Operating Activities	<u>(248,376)</u>	<u>207,605</u>	<u>(3,150)</u>	<u>(43,921)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	225,903			225,903
Advance In	24,638			24,638
Net Cash Provided (Used) by Noncapital Financing Activities	<u>250,541</u>			<u>250,541</u>
Cash Flows from Investing Activities:				
Interest Received	898	3,807	2,888	7,593
Net Increase (Decrease) in Cash and Cash Equivalents	3,063	211,412	(262)	214,213
Cash and Cash Equivalents at Beginning of Year	<u>2,659</u>	<u>258,045</u>	<u>35,830</u>	<u>296,534</u>
Cash and Cash Equivalents at End of Year	<u><u>5,722</u></u>	<u><u>469,457</u></u>	<u><u>35,568</u></u>	<u><u>510,747</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Operating Income (Loss)	(319,894)	(132,244)	(262)	(452,400)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	6,285			6,285
Donated Commodities Used During the Year	63,815			63,815
Nonexpendable Trust Interest			(2,888)	(2,888)
(Increase) Decrease in Assets:				
Material and Supplies Inventory	581			581
Accounts Receivable	(5,355)	(72)		(5,427)
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	1,941			1,941
Intergovernmental Payable	3,989			3,989
Claims Payable		14,379		14,379
Incurred But Not Reported Claims		325,542		325,542
Deferred Revenue	(2,347)			(2,347)
Accrued Wages and Benefits	(75)			(75)
Accounts Payable	2,684			2,684
Net Cash Provided (Used) for Operating Activities	<u><u>(\$248,376)</u></u>	<u><u>207,605</u></u>	<u><u>(\$3,150)</u></u>	<u><u>(\$43,921)</u></u>
Total Cash and Cash Equivalents - Trust and Agency	\$168,344			
Cash and Cash Equivalents - Agency Fund	(99,382)			
Cash and Cash Equivalents - Expendable Trust	<u>(33,394)</u>			
Cash and Cash Equivalents - Non-Expendable Trust			<u><u>\$35,568</u></u>	

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

This page intentionally left blank.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Bellefontaine City School District (the 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 31 square miles in Logan County, including all of the City of Bellefontaine, Ohio, and portions of surrounding townships.

The District is the 167 largest in the state of Ohio (among 612 school districts) in terms of enrollment. It currently operates four elementary schools, one middle school and one comprehensive high school. The District is staffed by 112 non-certificated employees, 208 certificated employees to provide services to approximately 2,859 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity". For financial reporting purposes, management has considered all potential component units by applying the criteria set forth in GASB Statement 14. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the Board's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and 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, or whether the activity is conducted within the geographic boundaries of the District and is generally available to 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, there are no potential component units that should be blended or discretely presented in the financial statements of the District.

The District is associated with three significant types of organizations including two jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations include the Ohio Hi-Point Career Center and West Central Ohio Special Education Regional Resource Center, the Joint Recreation District (Blue Jacket Park) and the Ohio School Boards Association Worker's Compensation Group Rating Plan.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These organizations are presented in Notes 17, 18, and 19 to the general purpose financial statements.

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District has the following fund types and account groups:

1. Governmental Funds

Governmental Funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and modified accrual basis of accounting. The measurement focus of governmental funds is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost such as amortization are not recognized in governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means collectible within the current period or soon thereafter to pay liabilities of the current period. The government considers all revenues to be available if they are collected within sixty days after year end, therefore generally only current assets and current liabilities are included on the balance sheet. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgements which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

Governmental funds include the following 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

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 Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Under this method, 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 with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Opinions and Interpretations, Accounting Standards Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict GASB pronouncements. Proprietary funds include the following fund types:

Enterprise Fund Types

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.

Internal Service Fund Types

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

3. 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. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Expendable Trust Funds

The Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets of which both the principal and interest may be spent.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexpendable Trust Funds

The Nonexpendable Trust Fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

Agency Funds

Agency Funds are custodial in nature and do not involve results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity.

4. Account Groups

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds within an established specific timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution; all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

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.

By no later than January 20, the board-adopted budget is filed with the Logan County Budget Commission for tax rate determination.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Prior to March 15, 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 2001.

3. Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on the final assessed values of tax rates or a certificate saying that no new certificate is necessary, by October 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. Prior to passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, supplemental appropriations were legally enacted.

The budgetary figures which appear in the statements of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental funds.

5. Lapsing of Appropriations

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 year 2001, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, and a liquid asset management account.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$226,212 which includes \$10,080 assigned from other District funds. For purposes of the combined statements of cash flows and for presentation of 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.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Interfund Receivable/Payable."

F. Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventoried items is recognized as an expenditure when purchased in governmental funds and an expense when used in proprietary funds.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment; and Depreciation

1. General Fixed Assets Account Group

General fixed assets used in governmental fund types of the District are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 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 Asset Account Group.

2. Proprietary Funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. 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.

Asset	Life (years)
Furniture, Fixtures and Equipment	5-20

H. Intergovernmental Revenues

Intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlement, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlement for proprietary fund operations are recognized as non-operating revenues in the accounting year in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entitlements

General Fund

State Foundation Program
State Bus Purchase Program
State Property Tax Relief

Special Revenue Funds

Education Management Information System (EMIS)

Non-Reimbursable Grants

Special Revenue Funds

Block Grant
Parent Project
Disadvantaged Pupil Impact Aid (DPIA)
ONENET
SchoolNet Professional Development
Teach and Learn
Ohio Reads
Summer School
Extend Learn Opportunities
SchoolNet Subsidy
Miscellaneous State Grants
Eisenhower Grants
Title VI-B
Title I
Title VI
Drug Free Schools
Education for Economic Security
Reducing Class Size
Miscellaneous Federal Grants

Capital Project Funds

SchoolNet
Classroom Facilities
ONENET
Permanent Improvement

Debt Service Funds

Bond Retirement

Reimbursable Grants

General Fund

Vocational Education Travel/Salary

Capital Project Funds

Vocational Equipment

Enterprise Funds

National School Lunch Program
National School Milk Program
Government Donated Commodities

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

Long term debt is recognized as a liability of a government 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 Obligation Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through time off or some other means such as cash payment at termination or retirement. Severance benefits are accrued using the vesting method.

The liability for severance payments is based upon the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive severance termination payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and termination 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 salary related payments. The District has recorded a liability in the General Long Term Debt Account Group for the vesting termination benefits for all employees within 10 years of retirement.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligation Account Group. In propriety funds, the entire amount of eligible compensated absences is reported as a fund liability.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the purchase of textbooks and instructional materials. The reserve for budget stabilization represents the set aside required for Bureau of Workers Compensation refunds. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepaid items, debt service principal, endowments, property taxes, textbook and instructional materials, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbooks and instructional materials represents money required to be set-aside by statute. The reserve for budget stabilization represents the set aside required for Bureau of Workers Compensation refunds. The reserve for endowments signifies the legal restrictions on the use of principal.

The designation for budget stabilization represents non Bureau of Workers Compensation refunds money previously required by statute to be set-aside for budget stabilization. However, S. B. 345 gave the District the option to designate this money for budget stabilization.

O. Estimates

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

P. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources.

The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. Statement No. 36 did not have a material impact on the financial statements.

4. RESTATEMENT OF FUND EQUITY

A. Adoption of GASB Statements No. 33.

The restatement for GASB Statements No. 33 had the following effect on fund balance as it was previously reported as of June 30, 2000.

	Special Revenue
Fund Balance as Previously Reported	\$202,236
Unreserved/Undesignated	32,643
Restated Fund Balance at June 30, 2000	\$234,879

The restatement had the following effect on the excess of revenues over (under) expenditures as previously reported for the fiscal year ended June 30, 2000.

	Special Revenue
Excess as Previously Reported	\$(105,234)
Intergovernmental Revenue	32,643
Restated Amount for the Fiscal Year Ended June 30, 2000	\$(72,591)

B. Restatement Due to Correction of an Error

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget-Actual (Non-GAAP Budgetary Basis) financial presentation beginning fund balance has been adjusted to reflect an error from prior periods. The results of prior year encumbrances appropriated and spent in current years was not incorporated in the budgetary basis financial statements. The results of this correction is as follows:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. RESTATEMENT OF FUND EQUITY (Continued)

	General Fund	Special Revenue	Capital Projects
Fund Balance Previously Reported	\$3,349,448	(\$30,273)	(\$362,154)
Adjustment	<u>71,197</u>	<u>121,056</u>	<u>240,974</u>
Currently Reported Beginning Fund Balance	<u>\$3,420,645</u>	<u>\$90,783</u>	<u>(\$121,180)</u>

5. ACCOUNTABILITY AND COMPLIANCE

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

<u>Special Revenue Funds</u>	<u>Deficit fund balance/ Retained Earnings (GAAP Basis)</u>	<u>Deficit fund balance/ Retained Earnings (Cash Basis)</u>
Other Miscellaneous Grants	\$ 10,091	\$22,633
Education Management Information Systems	2,361	
DPIA	763	
Title VI-B	38,662	23,597
Title I	223,657	184,747
Title VI	9,743	10,179
Safe and Drug-Free Schools	1,686	698
Reducing Class Size	47,655	46,301
Miscellaneous Federal Grants	<u>28,720</u>	<u>35,916</u>
Total Special Revenue	<u>363,338</u>	<u>324,071</u>
Enterprise Fund		
Food Service	631	24,638

The GAAP basis fund balance deficits will be funded by anticipated future revenues not recognized and recorded at June 30, 2001.

Cash basis deficit fund balances are a violation of Ohio Rev. Code Section 5705.10 which states that money which is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The District also had negative fund balances throughout the year on the cash basis.

The District did not file the final expenditure reports for the Title 1 and for Title VI-B grants which violated the requirements of 34 CFR Section 80.23(b).

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. 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". In addition, the District utilizes a financial institution to service bonded debt as principal and interest payments come due.

Legal Requirements: Statutes require the classification of monies held by the District into three categories:

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

Inactive Monies: Those monies not required for use within the current two year period of designation of depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies: May be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security 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 Treasurer's investment pool (STAR Ohio);

Investments in stripped principal or interest obligation, 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 exception that it will be held to maturity.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all monies deposited with the institution. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$100 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

Deposits: At year end, the carrying amount of the District's deposits was \$1,375,749 and the bank balance was \$2,293,617. Of the bank balance \$377,132 was covered by federal depository insurance and \$1,916,485 was uncollateralized with securities held by its agent but not in the District's name. All deposits were in institutions who are members of the Federal Reserve System.

Investments: The District's investments are categorized below 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 counterpart'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 counterpart or by its trust department but not in the District's name. The District's investment in Star Ohio, which is the State Treasurer's Investment Pool, is not categorized because it is not evidenced by securities that exist in physical or book entry form. The investment pool pro rates earnings based on invested balances.

	Category 3	Cost Value	Fair Value
Repurchase Agreements	\$1,790,068	\$1,790,068	\$1,790,068
Star Ohio		196,651	196,651
Liquid Asset Management	<u>3,528,251</u>	<u>3,528,251</u>	<u>3,546,084</u>
Total Investments	<u>\$5,318,319</u>	<u>\$5,514,970</u>	<u>\$5,532,803</u>

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

	Pooled Cash and Cash Equivalents	Investments
Combined Balance Sheet	\$6,899,163	\$9,489
Cash	(100)	
Certificate of Deposit	9,489	(9,489)
Investments:		
Repurchase Agreements	(1,790,068)	1,790,068
Star Ohio	(196,651)	196,651
Liquid Asset Management	<u>(3,546,084)</u>	<u>3,546,084</u>
Per GASB Statement 3	<u>\$1,375,749</u>	<u>\$5,532,803</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. INTERFUND ASSETS/LIABILITIES

Interfund Receivables/Payables at June 30, 2001:

	Receivables	Payables
General Fund	\$348,709	\$ 0
Special Revenue		
Miscellaneous Other Grants		22,633
Title VI-B		23,597
Title I		184,747
Title VI		10,179
Safe and Drug-Free Schools		698
Reducing Class Size		46,301
Miscellaneous Federal Grants		35,916
Subtotal	348,709	324,071
Enterprise		
Food Service		24,638
Totals	<u>\$348,709</u>	<u>\$348,709</u>

Interfund Receivables and Payables reflected on the combined balance sheet represents the amounts required to eliminate negative fund balances on the cash basis. Since recording this receivable increase the asset portion of the balance sheet, the cash and cash equivalent line item is reduced accordingly in order to properly reflect total assets, therefore the interfund receivable or payable is a reconciling item when comparing cash on the balance sheet to the cash fund balance on the combined statement of revenues, expenditures, and changes in fund balances budget-actual (non-GAAP budgetary basis).

8. 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 April 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 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.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half		2001 First-Half	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agriculture/Residential and Other Real	\$174,101,240	76%	\$177,574,400	76%
Public Utility	13,809,150	6%	13,813,520	6%
Tangible Personal Property	<u>40,610,468</u>	<u>18%</u>	<u>40,847,580</u>	<u>18%</u>
Total Assessed Value	<u>\$228,520,858</u>	<u>100%</u>	<u>\$232,235,500</u>	<u>100%</u>
Tax Rate per \$1,000 of assessed valuation	\$50.38		\$50.38	

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$245,017 in the general fund, \$51,177 in the Debt Service Fund, and \$9,199 in the Capital Projects Fund.

9. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and entitlements, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. RECEIVABLES (Continued)

<u>Receivables</u>	<u>Taxes Current & Delinquent</u>	<u>Intergovernmental State & Federal</u>	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Interfund</u>
General Fund	\$6,853,883	\$19,678	\$49,007	\$570	\$348,709
Special Revenue		368,834	3,965		
Debt Service	1,137,367				
Capital Projects	210,691	3,436			
Enterprise		66,195	5,846		
Internal Service			296		
Trust and Agency			534		
Total	8,201,941	458,143	59,648	570	348,709

10. PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	<u>Balance July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2001</u>
Land/Improvements	\$601,188	\$0	\$0	\$601,188
Building	8,383,657	0	0	8,383,657
Furniture/Equipment	5,284,646	48,724	(14,633)	5,318,737
Buses	590,385	0	0	590,385
Vehicles	110,716	0	0	110,716
Subtotal	14,970,592	48,724	(14,633)	15,004,683
Construction in Progress	0	9,112,804	0	9,112,804
Total	<u>\$14,970,592</u>	<u>\$9,161,528</u>	<u>(\$14,633)</u>	<u>\$24,117,487</u>

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

	<u>Enterprise Funds</u>
Property, Plant and Equipment	\$ 292,758
Additions	<u>0</u>
Total Property, Plant and Equipment	\$ 292,758
Less Accumulated Depreciation	<u>(224,534)</u>
Net Fixed Assets-Proprietary Fund	<u>\$ 68,224</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. LONG TERM DEBT

All current obligation bonds 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 Obligation 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 current 2.70 mill and current 2.60 mill bonded debt facilities tax levies.

A. The following is a description of the District's bonds outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 07/01/00</u>	<u>Accretion in 2001</u>	<u>Retired in 2001</u>	<u>Bonds Outstanding 6/30/01</u>
Facilities Serial Bond	4.87%	11/93	12/11	\$1,790,000	\$0	\$425,000	\$1,365,000
Capital Appreciation Bonds	Various	11/93	12/4-12/11	<u>1,785,208</u>	<u>190,448</u>	<u>0</u>	<u>1,975,656</u>
Total Bond Issue				<u>\$3,575,208</u>	<u>\$190,448</u>	<u>\$425,000</u>	<u>\$3,340,656</u>

In December 1993, the District issued \$4,923,935 bonds for the purpose of advance refunding bonds titled "Bellefontaine City School District, Logan County, Ohio General Obligation Bonds", dated March 1, 1990, in the original principal amount of \$5,300,000, issued for the purpose of renovating the middle school, furnishing and equipping the same and improving the site thereof, and removing asbestos at various buildings. The bonds were issued for an eighteen year period with final maturity at December 1, 2011. The bond issue consisted of \$4,000,000 of Current Interest Serial Bonds with interest rates ranging from 2.65 to 4.40% and \$923,935 of Capital Appreciation Serial Bonds with stated interest rates ranging from 10.3 to 10.4% (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 5.1% to 5.6%. The bonds will be retired from the debt service fund.

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning June 1, 1994 until maturity or earlier redemption.

The Capital Appreciation Bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The Capital Appreciation Bonds will mature in fiscal years 2004 to 2011. The maturity amount of the bonds is \$3,900,000. For fiscal year 2001, \$190,448 was accreted for a total bond value of \$1,975,656.

1. Mandatory Sinking Fund Redemption

The Current Interest bonds maturing on December 1, 2003 (Current Interest Term Bonds) are subject to mandatory sinking fund redemption to occur on December 1, 2002 in the amount of \$455,000 (with the balance of \$470,000 to be paid at stated maturity on December 1, 2008) at a redemption price equal to 100% of the principal amount redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory requirement.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. LONG TERM DEBT (Continued)

Purpose	Interest Rates	Issue Date	Maturity Date	Bonds Outstanding 07/01/00	Issued in 2001	Retired in 2001	Bonds Outstanding 6/30/01
Facilities	5.35%	06/99	12/26	\$9,070,000	\$0	\$25,000	\$9,045,000

1999 School Facilities Construction and Improvement Bonds - On June 15, 1999, Bellefontaine City School District issued \$9,070,000 in voted general obligation bonds for additions and renovations to the High School. The bond issue consists of \$5,215,000 in serial bonds and \$3,855,000 in term bonds. The serial bonds have interest rates from 3.75% to 5.75% and yield rates from 3.75% to 5.3%. The serial bonds mature each year beginning in 2000 and ending in 2019. The term bonds have a 5.5% interest rate with final maturity on December 1, 2026. Bonds maturing after December 1, 2009 are subject to redemption at the option of the District at the redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the date of redemption:

Redemption Period	Redemption Price
December 1, 2009 through November 30, 2010	101%
December 1, 2010 and thereafter	100%

The bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption prior to stated maturity.

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

Year(s) Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2002	\$465,000	\$538,277	\$1,003,277
2003	590,000	516,057	1,106,057
2004	615,000	489,956	1,104,956
2005	493,342	619,708	1,113,050
2006	500,020	645,285	1,145,305
2007-2011	2,332,200	3,458,462	5,790,662
2012-2016	1,750,094	2,119,812	3,869,906
2017-2021	2,250,000	1,270,294	3,520,294
2022-2026	2,745,000	571,038	3,316,038
2027	645,000	17,738	662,738
Total	<u>\$12,385,656</u>	<u>\$10,246,627</u>	<u>\$22,632,283</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. LONG TERM DEBT (Continued)

C. The following is a description of the District's long-term note transactions for the year ended June 30, 2001:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 07/01/00</u>	<u>Issued in 2001</u>	<u>Retired in 2001</u>	<u>Bonds Outstanding 6/30/01</u>
Energy Conservation	4.90%	12/95	12/05	\$480,000	\$0	\$70,000	\$410,000

D. The following is a summary of the District's future annual debt service requirements to maturity for House Bill 264 energy conservation notes:

<u>Year Ending June 30</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2002	\$75,000	\$18,253	\$93,253
2003	80,000	14,455	94,455
2004	80,000	10,535	90,535
2005	85,000	6,493	91,493
2006	<u>90,000</u>	<u>2,205</u>	<u>92,205</u>
Total	<u>\$410,000</u>	<u>\$51,941</u>	<u>\$461,941</u>

E. In December 1993, the District defeased a bond issue by creating an irrevocable escrow account. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow account. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's General Long-Term Obligation Account Group. As of June 30, 2001, the amount of defeased debt outstanding but removed from the General Long-Term Obligation Account Group amounted to \$3,370,000. Assets of \$3,801,600 were held in the irrevocable escrow account.

F. The following is a summary of the District's total debt for the fiscal year ending June 30, 2001.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. LONG TERM DEBT (Continued)

	July 1, 2000			June 30,
	Beginning			2001
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
				<u>Balance</u>
<u>Bonds & Notes Payable:</u>				
1993 School Improvement Bonds	\$1,790,000	\$0	\$425,000	\$1,365,000
1993 Capital Appreciation Bonds	1,785,208	190,448	0	1,975,656
1999 School Improvement Bonds	9,070,000	0	25,000	9,045,000
Total Bonds Payable	<u>12,645,208</u>	<u>190,448</u>	<u>450,000</u>	<u>12,385,656</u>
Energy Conservation Notes	480,000	0	70,000	410,000
Total Energy Conservation Notes	<u>480,000</u>	<u>0</u>	<u>70,000</u>	<u>410,000</u>
Total Bonds & Notes Payable	<u>13,125,208</u>	<u>190,448</u>	<u>520,000</u>	<u>12,795,656</u>
<u>Other Long Term Obligations:</u>				
Termination Benefits	1,189,430	136,908	0	1,326,338
Vacation	90,832	3,652	0	94,484
Intergovernmental Payable	132,959	377	0	133,336
Total Other Obligations	<u>1,413,221</u>	<u>140,937</u>	<u>0</u>	<u>1,554,158</u>
Total Long-Term Obligations	<u>\$14,538,429</u>	<u>\$331,385</u>	<u>\$520,000</u>	<u>\$14,349,814</u>

The July 1, 2000 beginning balance for the 1993 bonds has been revised to separately show the capital appreciation bonds. In addition, the amounts accreted for the prior years have been added to the beginning balance for the capital appreciation bonds.

- G.** The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$9,595,395 (including available funds of \$669,856 and an unvoted debt margin of \$232,236).

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of the Food Service and Uniform Supply Funds. Selected segment information for the year ended June 30, 2001 is as follows:

	Food Service	Uniform School Supplies	Total
Operating Revenue	\$438,027	\$59,440	497,467
Exp. Before Depreciation	758,141	52,935	811,076
Depreciation Expense	6,285	0	6,285
Operating Income (Loss)	(326,399)	6,505	(319,894)
Operating Grants	322,315	0	322,315
Interest	898	0	898
Net Income (Loss)	(3,186)	6,505	3,319
Net Working Capital	(43,274)	9,134	(34,140)
Total Assets	171,230	11,498	182,728
Total Liabilities	170,019	2,364	172,383
Total Equity	1,211	9,134	10,345

13. DEFINED BENEFIT PENSION PLANS

A. 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 benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations.

Contribution rates are established by STRS, 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 contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$869,739, \$565,810, and \$511,735 respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$222,620, is recorded as a liability within the respective funds.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

B. 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 members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$84,429, \$110,959, and \$140,181, respectively; 37 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$148,430, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation 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.

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 law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$411,982.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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 the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge of \$40,634, was \$ 237,635 for fiscal year 2001.

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 for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

15. BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget-Actual (Non-GAAP Budgetary Basis) - 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);
- 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 governmental funds are as follows:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Governmental Fund Types

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Budget Basis	\$(47,415)	\$(223,696)	\$175,297	\$(8,945,213)
Net Adjustment for Revenue Accruals	345,874	(120,887)	(10,985)	(68,548)
Net Adjustment for Expenditure Accruals	(189,206)	5,144	0	(491,875)
Adjustment of Encumbrances	<u>195,096</u>	<u>150,702</u>	<u>0</u>	<u>1,601,998</u>
GAAP Basis	<u>\$304,349</u>	<u>(\$188,737)</u>	<u>\$164,312</u>	<u>(\$7,903,638)</u>

16. RISK MANAGEMENT

A. Insurance Only Through Commercial 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, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Insurance Provided Partially Through Self-Insurance Fund

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 has established a Self-Insurance Fund in the Internal Service Fund Type to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$60,000 per claim per employee. The District purchases commercial insurance for claims in excess of coverage provided by this Fund and for other risks of loss including annual aggregate stop loss coverage for annual claims paid. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payment to the Self-Insurance Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. The claims liability of \$235,310 reported in the Fund at June 30, 2001 is based upon the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of financial statements and the amount of the loss can be reasonably estimated. The estimate for Incurred but not reported claims is reported for fiscal year 2001 as a separate line item in the financial statements for comparison purposes. This portion of the liability has not been calculated or reported in prior year financial statements. Claims in the Fund's claims liability during Fiscal 2000 and 2001 were:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

16. RISK MANAGEMENT (Continued)

	July 1 Liability	Current-Year Claims and Changes in Estimates	Claims Payable	June 30 Liability
1999-2000	\$180,223	\$1,986,779	\$1,946,071	\$220,931
2000-2001	\$220,931	\$1642,089	\$1,627,710	\$235,310
IBNR Estimate				\$325,542

A comparison of Self Insurance Fund cash to the actuarially-measured liability as of June 30, is as follows:

	2001	2000
Cash and Cash Equivalents	\$469,457	\$258,045
Actuarial Liabilities (including IBNR)	\$561,052	\$220,931

C. OSBA Group Rating Program

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 OSBA. 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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to 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.

The District continues to carry commercial insurance for all other risks of loss including liability insurance for all district employees. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

17. JOINTLY GOVERNED ORGANIZATION

Ohio Hi-Point Career Center - The Ohio Hi-Point Career Center is a distinct 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. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

17. JOINTLY GOVERNED ORGANIZATION

West Central Ohio Special Education Regional Resource Center – The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

18. JOINT VENTURE

Joint Recreation District - The Joint Recreation District (JRD) was established June 25, 1984. The JRD is operated by a seven member Board consisting of three representatives from both the Bellefontaine City School District and the City of Bellefontaine. The remaining member is selected by the six appointed Board members. The JRD operates the Blue Jacket Park which is adjacent to the Bellefontaine City School District and for which the District owns the land. The operating budget for the JRD is passed by the City of Bellefontaine and is submitted to the JRD Board. To obtain financial information write to the City of Bellefontaine, Dale King, who serves as Auditor, at 135 North Detroit Street, Bellefontaine, Ohio 43311.

19. INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan - The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 OSBA. 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.

20. CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants.

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

B. Litigation

There are currently no matters in litigation with the District as defendant.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

21. STATE SCHOOL FUNDING DECISION

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

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 21, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

22. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements and budget stabilization, which was eliminated by S.B. 345, during fiscal year 2001.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

22. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance as of June 30, 2000	\$60,345	\$	\$198,858	\$259,203
Current Year Set-Aside Requirement	342,810	342,810		685,620
Transferred to General Fund. Designated for Budget Stabilization per S.B. 345			(118,165)	(118,165)
Current Year Offsets		(342,809)		(342,809)
Qualifying Disbursements	<u>(274,931)</u>	_____	_____	<u>(274,931)</u>
Total	<u>\$128,225</u>	<u>\$ 0</u>	<u>\$80,693</u>	<u>\$208,918</u>
Cash Balance Carried Forward to FY 2002	<u>\$128,225</u>	<u>\$ 0</u>	<u>\$80,693</u>	<u>\$208,918</u>
Amount Restricted for Budget Stabilization				<u>80,693</u>
Amount Restricted for Textbooks				<u>128,225</u>
Total Restricted Assets				<u>\$208,918</u>

The amount set-aside to satisfy statutory requirements for textbooks and budget stabilization are represented by restricted cash and are presented as "reserve for textbooks and instructional materials" and "reserve for budget stabilization" on the balance sheet.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program		10.550		\$53,674		\$56,418
National School Breakfast Program	05-PU 00 05-PU 01	10.553	12,694 26,267 38,961		12,694 26,267 38,961	
National School Lunch Program	LL-P1 00 LL-P4-00 LL-P1 01 LL-P4 01	10.555	42,465 10,789 97,342 23,150 173,746		42,465 10,789 97,342 23,150 173,746	
Total U.S. Department of Agriculture - Nutrition Cluster			212,707	53,674	212,707	56,418
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I, Part A, ESEA	C1-S1 00 C1-S1 00C C1-S1 01	84.010	46,560 2,975 53,015		39,448 2,975 237,762	
Total Title I			102,550		280,185	
Title VI-B, Special Education Grants to States	6B-SF 99P 6B-SF 00P	84.027	41,794 61,212		63,674 84,809	
Total Title VI-B			103,006		148,483	
Title VI, Innovative Education Program Strategies	C2-S1 99 C2-S1 00 C2-S1 01	84.298			2,282 12,741 1,800	
Total Title VI, Innovative Education Program			2,473		16,823	
Eisenhower Professional Development State Grants , Title II, Part B	MS-S1 99C MS-S1 00 MS-S1 01	84.281			3,640 1,791 4,541	
Total Eisenhower Professional Development State Grants, Title II, Part B			11,344		9,972	
Safe & Drug Free School - State Grants Title IV, Part A, Subpart 1 of ESEA	DR-S1 99 DR-S1 00 DR-S1 01	84.186			2,443 1,515 4,152	
Total Safe & Drug Free School - State Grants Title IV, Part A, Subpart 1 of ESEA			3,454		8,110	
Goals 2000 - State & Local Education Systemic Improvement Grants	G2-A2 01 G2-S1 01 G2-S2 00 G2-S2 01 G2-S2 99	84.276	140 17,898 21,000 14,000 57,737		6,767 4,573 15,762 39,693	
Total Goals 2000 Grants - State & Local Education Systemic Improvement			110,775		66,795	
Tech Literacy Challenge Fund Grants	TF-15 99 P TF-VM 99 P	84.318			25,000 4,658	
Total Tech Literacy Challenge Fund Grants			4,658		29,658	
Class Size Reduction	CR-S1 00 CR-S1 01	84.340	43,445 19,843		66,144	
Total Class Size Reduction			63,288		66,144	
Total U.S. Department of Education			401,548		626,170	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Passed through Logan County Mentally Retarded and Developmental Disabilities)						
Title XIX CAFS		93.778	62,058		62,058	
U. S. DEPARTMENT OF LABOR						
(Passed through Ohio Department of Education)						
School To Work	WK-BE 99 WK-BE 00 WK-BE 01	17.249			1,011 27,985 33,843	
Total School To Work			52,195		62,839	
Total Federal Assistance			\$728,508	\$53,674	\$963,774	\$56,418

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation has been incurred.

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with state grants. It is assumed that federal monies are expended first. At June 30, 2001, the District had significant food commodities in inventory.



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

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of the Bellefontaine City School District (the District), Logan County, (the "District"), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 21, 2002, wherein we noted that the District adopted Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Non exchange Transactions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10246-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting, that do not require inclusion in this report, which we have reported to management of the District in a separate letter dated February 21, 2002.

Bellefontaine City School District
Logan County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of 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

February 21, 2002



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

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

Compliance

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

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

As described in item 2001-10246-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Reporting that are applicable to its Title I and Title VI-B programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

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

Internal Control Over Compliance

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

February 21, 2002

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title 1, Part A, ESEA CFDA: 84.010 Title VI-B, Special Education Preschool Grants, CFDA 84.298
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2001-10246-001

Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The District had negative cash fund balances throughout the year as follows:

	December	February	June
Special Revenue Funds:			
Miscellaneous Other Grants	(8,401)	(6,534)	(22,633)
Education Management Information System	(7,605)	(10,036)	
Title I	(48,676)	(99,723)	(184,747)
Title VI			(10,179)
Title VI-B	(4,444)	(6,368)	(23,597)
Reducing Class Size 2002	(62,064)	(62,064)	
Reducing Class Size 2004	(15,868)		(46,301)
Drug Free Schools		(1,223)	(698)
Miscellaneous Federal Grants			(35,916)
Total Special Revenue	(148,058)	(185,948)	(324,071)
Enterprise Funds:			
Food Service		(4,045)	(24,638)
Uniform School Supply	(12,239)	(10,198)	
Total Enterprise Funds	(12,239)	(14,243)	(24,638)

The District should implement monitoring procedures to help detect potential negative fund balances. These funds should then have money advanced to them to prevent deficit balances.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-10246-002	2001-10246-002
CFDA Title and Number	Title I , Part A, ESEA CFDA # 84.010	Title VI-B, Special Education Grants to States CFDA # 84.027
Federal Award Number/Year	043588-C1-S1-01 Fiscal Year 2001	043588-6B-SF-01-P Fiscal Year 2001
Federal Agency	Department of Education	Department of Education
Pass-Through Agency	Ohio Department of Education	Ohio Department of Education

Reportable Non Compliance with Reporting Requirements

34 CFR Section 80.23 (b) requires liquidation of obligations and filing the final expenditure report no later than 60 days after the end of the funding period. The Grant Agreements for both the Title I grant and Title VI-B grant require the District to follow the reporting requirements for each grant. For these grants the final expenditure reports were due within 60 days after year-end.

The final expenditure report is to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 60 days after the end of the project period.

Failure to submit this report in a timely manner may result in a temporary suspension of the flow of federal funds for this grant until the project is closed.

The District filed the final expenditure report for the Title VI-B Flow-Thru on February 22, 2002, and the Title I grant on February 4, 2002. These reports were each due by November 30, 2001.

The District should implement procedures to help assure that final expenditure reports are submitted within the required time period for each grant.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10246-001	Student Managed Activities	No	Partially Corrected - repeated in Management Letter for 2001
2000-10246-002	Classroom Materials and Fees	Yes	Corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN 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
MARCH 26, 2002**