

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

General Purpose Financial Statements

Year Ended June 30, 2002

With

Independent Auditors' Report





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Board of Education  
North Baltimore Local School District  
201 South Main Street  
North Baltimore, Ohio 45872

We have reviewed the Independent Auditor's Report of the North Baltimore Local School District, Wood County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The North Baltimore Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

December 27, 2002

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# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
North Baltimore Local School District:

We have audited the accompanying general purpose financial statements of North Baltimore Local School District (the District) as of and for the year ended June 30, 2002 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 *Governmental 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 District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 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.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
October 25, 2002

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

Combined Balance Sheet - All Fund Types and Account Groups  
June 30, 2002

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Asset	Long-Term Debt	General	
<b>ASSETS AND OTHER DEBITS</b>											
<b>ASSETS:</b>											
Equity in pooled cash and cash equivalents	\$ 1,332,517	128,573	32,792	451,006	60,526	579	18,029	-	-	-	2,024,022
Net receivables:											
Taxes	2,094,887	-	306,525	122,598	-	-	-	-	-	-	2,524,010
Accounts	100	-	-	-	181	-	-	-	-	-	281
Intergovernmental	-	64,664	-	-	-	-	-	-	-	-	64,664
Materials and supply inventory	-	-	-	-	2,625	-	-	-	-	-	2,625
Restricted assets:											
Cash and cash equivalents	105,387	-	-	-	-	-	-	-	-	-	105,387
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	69,084	-	-	8,238,080	-	-	8,307,164
<b>OTHER DEBITS:</b>											
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	54,792	-	54,792
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	508,144	-	508,144
<b>Total assets and other debits</b>	<b>\$ 3,532,891</b>	<b>193,237</b>	<b>339,317</b>	<b>573,604</b>	<b>132,416</b>	<b>579</b>	<b>18,029</b>	<b>8,238,080</b>	<b>562,936</b>	<b>13,591,089</b>	

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Asset	Long-Term Debt	General				
										General	Long-Term Debt			
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>														
<b>LIABILITIES:</b>														
Accounts payable	\$ 6,247	5,529	-	9,424	485	-	-	-	-	-	-	-	-	21,685
Accrued wages and benefits	499,531	15,484	-	-	20,565	-	-	-	-	-	-	-	-	535,580
Compensated absences payable	3,389	-	-	-	10,780	-	-	-	370,605	-	-	-	-	384,774
Due to student groups	-	-	-	-	-	-	16,529	-	-	-	-	-	-	16,529
Deferred revenue	1,978,887	-	284,525	115,598	-	-	-	-	-	-	-	-	-	2,379,010
Pension obligation payable	80,936	-	-	-	11,837	-	-	-	28,504	-	-	-	-	121,277
Capital lease payable	-	-	-	-	-	-	-	-	128,264	-	-	-	-	128,264
Notes payable	-	-	-	3,311,000	-	-	-	-	35,563	-	-	-	-	3,346,563
<b>Total liabilities</b>	<b>2,568,990</b>	<b>21,013</b>	<b>284,525</b>	<b>3,436,022</b>	<b>43,667</b>	<b>-</b>	<b>16,529</b>	<b>-</b>	<b>562,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,933,682</b>
<b>EQUITY AND OTHER CREDITS</b>														
Investments in general fixed assets	-	-	-	-	-	-	-	8,238,080	-	-	-	-	-	8,238,080
Retained earnings: unreserved	-	-	-	-	88,749	579	-	-	-	-	-	-	-	89,328
Fund balances:														
Reserved for:														
Encumbrances	156,976	16,221	-	97,560	-	-	-	-	-	-	-	-	-	270,757
Budget reserve set aside	105,387	-	-	-	-	-	-	-	-	-	-	-	-	105,387
Property tax advances	116,000	-	22,000	7,000	-	-	-	-	-	-	-	-	-	145,000
Debt service	-	-	32,792	-	-	-	-	-	-	-	-	-	-	32,792
Unreserved - undesignated	585,538	156,003	-	(2,966,978)	-	-	1,500	-	-	-	-	-	-	(2,223,937)
<b>Total equity and other credits</b>	<b>963,901</b>	<b>172,224</b>	<b>54,792</b>	<b>(2,862,418)</b>	<b>88,749</b>	<b>579</b>	<b>1,500</b>	<b>8,238,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,657,407</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 3,532,891</b>	<b>193,237</b>	<b>339,317</b>	<b>573,604</b>	<b>132,416</b>	<b>579</b>	<b>18,029</b>	<b>8,238,080</b>	<b>562,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,591,089</b>

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

Combined Statement of Revenues, Expenditures, and Changes in Fund  
Balances - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$ 1,351,379	-	177,887	63,185	-	1,592,451
Tuition	4,038	-	-	-	-	4,038
Earnings on investments	62,667	-	-	36,408	-	99,075
Other local revenue	14,775	182,749	-	99,500	-	297,024
Intergovernmental - state	3,249,995	62,786	-	50,322	-	3,363,103
Intergovernmental - federal	-	178,455	-	-	-	178,455
<b>Total revenues</b>	<b>4,682,854</b>	<b>423,990</b>	<b>177,887</b>	<b>249,415</b>	<b>-</b>	<b>5,534,146</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Regular	2,052,722	54,189	-	184,142	-	2,291,053
Special	651,414	158,149	-	-	-	809,563
Vocational education	161,668	-	-	-	-	161,668
<b>Support services:</b>						
Pupil	251,095	7,112	-	-	-	258,207
Instructional staff	488,517	36,172	-	18,000	-	542,689
General administration	50,783	-	-	-	-	50,783
School administration	546,414	6,756	-	60	-	553,230
Fiscal	188,270	500	4,079	1,369	-	194,218
Operations and maintenance	713,125	675	-	-	-	713,800
Pupil transportation	208,615	-	-	-	-	208,615
Community services	6,014	-	-	-	600	6,614
Extracurricular activities	120,525	112,798	-	-	-	233,323
Facilities acquisition and construction	504	-	-	1,321,840	-	1,322,344
<b>Debt Service:</b>						
Principal	18,458	-	-	11,854	-	30,312
Interest	8,317	-	-	142,474	-	150,791
<b>Total expenditures</b>	<b>5,466,441</b>	<b>376,351</b>	<b>4,079</b>	<b>1,679,739</b>	<b>600</b>	<b>7,527,210</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(783,587)</b>	<b>47,639</b>	<b>173,808</b>	<b>(1,430,324)</b>	<b>(600)</b>	<b>(1,993,064)</b>
<b>Other financing sources (uses):</b>						
Proceeds from capital leases	146,722	-	-	-	-	146,722
Operating transfers in	26,762	273	-	354,546	-	381,581
Operating transfers out	(53,886)	-	(303,016)	(26,762)	-	(383,664)
<b>Total other financing sources (uses)</b>	<b>119,598</b>	<b>273</b>	<b>(303,016)</b>	<b>327,784</b>	<b>-</b>	<b>144,639</b>
<b>Excess of revenues and other sources over (under) expenditures and other (uses)</b>	<b>(663,989)</b>	<b>47,912</b>	<b>(129,208)</b>	<b>(1,102,540)</b>	<b>(600)</b>	<b>(1,848,425)</b>
<b>Fund balance, beginning of year</b>	<b>1,627,890</b>	<b>124,312</b>	<b>184,000</b>	<b>(1,759,878)</b>	<b>2,100</b>	<b>178,424</b>
<b>Fund balance, end of year</b>	<b>\$ 963,901</b>	<b>172,224</b>	<b>54,792</b>	<b>(2,862,418)</b>	<b>1,500</b>	<b>(1,670,001)</b>

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes	\$ 2,123,479	2,123,479	-	-	-	-
Tuition	4,038	4,038	-	-	-	-
Earnings on investments	87,254	87,254	-	-	-	-
Other local revenues	11,312	11,312	-	110,699	110,699	-
Intergovernmental - state and local	3,249,995	3,249,995	-	119,888	119,888	-
Intergovernmental - federal	-	-	-	167,047	167,047	-
<b>Total revenues</b>	<b>5,476,078</b>	<b>5,476,078</b>	<b>-</b>	<b>397,634</b>	<b>397,634</b>	<b>-</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,084,607	2,084,607	-	54,530	54,530	-
Special	650,521	650,521	-	161,224	161,224	-
Vocational	117,532	117,532	-	-	-	-
Other	90,620	90,620	-	-	-	-
Support services:						
Pupil	244,994	244,994	-	9,112	9,112	-
Instructional staff	501,205	501,205	-	15,452	15,452	-
General administration	54,834	54,834	-	-	-	-
School administration	554,378	554,378	-	6,756	6,756	-
Fiscal	196,194	196,194	-	500	500	-
Operations and maintenance	624,961	624,961	-	21,366	21,366	-
Pupil transportation	228,543	228,543	-	-	-	-
Central	-	-	-	-	-	-
Facilities acquisition and construction	804	804	-	-	-	-
Community services	6,014	6,014	-	-	-	-
Extracurricular activities	114,671	114,671	-	119,790	119,790	-
Debt Service:						
Principal and interest	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,469,878</b>	<b>5,469,878</b>	<b>-</b>	<b>388,730</b>	<b>388,730</b>	<b>-</b>
Excess of revenues over (under) expenditures	6,200	6,200	-	8,904	8,904	-
Other financing sources (uses):						
Operating transfers in	110,652	110,652	-	6,692	6,692	-
Operating transfers (out)	(137,775)	(137,775)	-	(6,419)	(6,419)	-
Proceeds from sale of notes	-	-	-	-	-	-
Sale of assets	2,225	2,225	-	-	-	-
Refund of prior year expenditures	1,293	1,293	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(23,605)</b>	<b>(23,605)</b>	<b>-</b>	<b>273</b>	<b>273</b>	<b>-</b>
Excess of revenues and other sources over (under) expenditures and other (uses)	(17,405)	(17,405)	-	9,177	9,177	-
Fund balance, beginning of year	1,124,395	1,124,395		62,967	62,967	
Prior year encumbrances appropriated	168,066	168,066		35,569	35,569	
Fund balance, end of year	\$ 1,275,056	1,275,056		107,713	107,713	

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
328,187	328,187	-	108,786	108,786	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	229,337	229,337	-	-	-	-
-	-	-	99,500	99,500	-	-	-	-
-	-	-	50,322	50,322	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>328,187</u>	<u>328,187</u>	-	<u>487,945</u>	<u>487,945</u>	-	-	-	-
-	-	-	216,704	216,704	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	18,000	18,000	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	143	143	-	-	-	-
4,079	4,079	-	1,369	1,369	-	-	-	-
-	-	-	1,644,796	1,644,796	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	72,949	72,949	-	-	-	-
-	-	-	-	-	-	600	600	-
-	-	-	-	-	-	-	-	-
<u>3,598,016</u>	<u>3,598,016</u>	-	<u>32,312</u>	<u>32,312</u>	-	-	-	-
<u>3,602,095</u>	<u>3,602,095</u>	-	<u>1,986,273</u>	<u>1,986,273</u>	-	<u>600</u>	<u>600</u>	-
<u>(3,273,908)</u>	<u>(3,273,908)</u>	-	<u>(1,498,328)</u>	<u>(1,498,328)</u>	-	<u>(600)</u>	<u>(600)</u>	-
-	-	-	51,530	51,530	-	-	-	-
-	-	-	(26,762)	(26,762)	-	-	-	-
3,295,000	3,295,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>3,295,000</u>	<u>3,295,000</u>	-	<u>24,768</u>	<u>24,768</u>	-	-	-	-
21,092	21,092	-	(1,473,560)	(1,473,560)	-	(600)	(600)	-
11,700	11,700	-	356,353	356,353	-	2,100	2,100	-
-	-	-	<u>1,461,232</u>	<u>1,461,232</u>	-	-	-	-
<u>32,792</u>	<u>32,792</u>	-	<u>344,025</u>	<u>344,025</u>	-	<u>1,500</u>	<u>1,500</u>	-

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

### Combined Statement of Revenues, Expenses and Changes in Retained Earnings Proprietary Fund Types

Year Ended June 30, 2002

	Enterprise	Internal Service	Total
Operating revenues:			
Charges for services	\$ 167,459	752	168,211
Total operating revenues	167,459	752	168,211
Operating expenses:			
Personnel services	130,494	-	130,494
Contractual services	7,480	-	7,480
Materials and supplies	121,483	-	121,483
Depreciation	9,535	-	9,535
Other expenses	422	752	1,174
Total operating expenses	269,414	752	270,166
Operating income (loss)	(101,955)	-	(101,955)
Nonoperating revenues:			
Interest	1,304	-	1,304
Operating grants	63,169	-	63,169
Operating grants - donated commodities	22,575	-	22,575
Total nonoperating revenues	87,048	-	87,048
Net income before operating transfers	(14,907)	-	(14,907)
Operating transfers in	1,897	-	1,897
Total operating transfers	1,897	-	1,897
Net income (loss)	(13,010)	-	(13,010)
Retained earnings, beginning of year	101,759	579	102,338
Retained earnings, end of year	\$ 88,749	579	89,328

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

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

### Combined Statement of Cash Flows - Proprietary Fund Types

Year Ended June 30, 2002

	Enterprise	Internal Service	Total
Cash flows from operating activities:			
Cash received from customers	\$ 167,440	752	168,192
Cash payments for personal services	(127,973)	-	(127,973)
Cash payments for contract services	(7,580)	-	(7,580)
Cash payments for supplies and materials	(100,156)	-	(100,156)
Cash payments for other expenses	(422)	(752)	(1,174)
Net cash used by operating activities	(68,691)	-	(68,691)
Cash flows from noncapital financing activities:			
Operating transfers	1,897	-	1,897
Cash received from operating grants	63,169	-	63,169
Net cash provided by noncapital financing activities	65,066	-	65,066
Cash flows from capital and related financing activities:			
Purchase of fixed assets	(7,041)	-	(7,041)
Cash flows from investing activities:			
Interest received	1,304	-	1,304
Net decrease in cash	(9,362)	-	(9,362)
Cash, beginning of year	69,888	579	70,467
Cash, end of year	60,526	579	61,105
Reconciliation of operating loss to net cash used by operating activities:			
Operating income (loss)	(101,955)	-	(101,955)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	9,535	-	9,535
Donated commodities used	22,575	-	22,575
Changes in assets and liabilities:			
Accounts receivable	(19)	-	(19)
Supplies inventory	(1,733)	-	(1,733)
Accounts payable	385	-	385
Accrued wages and benefits	3,330	-	3,330
Compensated absences payable	782	-	782
Pension obligation payable	(1,591)	-	(1,591)
Net cash used by operating activities	\$ (68,691)	-	(68,691)

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

North Baltimore Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services to approximately 750 students and community members as authorized by state statute and/or federal guidelines.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with three organizations, one of which is defined as a jointly governed organization and two are insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Wood County Schools Health Insurance Consortium. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

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

The financial statements of the North Baltimore Local School 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 School 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 more significant of the School District's accounting policies are described below.



## **Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

### ***Governmental Fund Types:***

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

***General Fund*** - The General Fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws 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 expenditure 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 obligation principal, interest, and related costs.

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

### ***Proprietary Fund Types:***

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector. The following are the School District's proprietary fund types:

***Enterprise Funds*** - The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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*** - The internal service fund is used to account for the financing of goods or services provided by one department to another department on a cost reimbursement basis.

### ***Fiduciary Fund Types:***

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

### ***Account Groups:***

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

***General Fixed Assets Account Group*** - This account group is established to account for all fixed assets of the School 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 School District except those accounted for in the proprietary funds.

### **Measurement Focus and Basis of Accounting**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, and accounts and grants.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable, and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting 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 depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund types utilize the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

### **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the 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 object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

#### ***Tax Budget:***

Prior to January 15, 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 express 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 Wood County Budget Commission for rate determination.

#### ***Estimated Resources:***

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

#### ***Appropriations:***

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriate resolutions, 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 at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

### ***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 fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

### ***Lapsing of Appropriations:***

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

### **Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool and individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Following Ohio statutes, the Board of Education has by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2002, investments were limited to STAROhio and certificates of deposit. Investments are reported at their fair value, which is based on quoted market prices and changes in the fair value are reported in the operating statement. At June 30, 2002, the fair value of investments approximates cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002.

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

### **Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

### **Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years.

### **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. The liability is an estimate based on the School District's past experience of making termination payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

### **Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues and 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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the year ended June 30, 2002, the General Fund made an operating transfer of \$186 to an Agency Fund.

### **Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

### **Estimates**

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

### **Fund Balance Reserves**

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property tax advances, debt service, and budget stabilization set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures.

## **Total Columns on General Purpose Financial Statements**

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

### **2. DEFICIT FUND BALANCES**

At June 30, 2002, the following permanent improvement and building capital projects funds have deficit fund balances of \$404,398 and \$2,462,547 respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

### **3. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Similar Trust Funds 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that receives the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.



The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis Revenue	\$ (663,989)	47,912	(129,208)	(1,102,540)	(600)
Accruals	793,224	(26,356)	150,300	238,530	-
Expenditure					
Accruals	159,409	8,480	(3,598,016)	(199,550)	-
Other Sources and Uses	(143,203)	-	3,598,016	(303,016)	-
Encumbrances	(162,846)	(20,859)	-	(106,984)	-
Budget Basis	\$ <u>(17,405)</u>	<u>9,177</u>	<u>21,092</u>	<u>(1,473,560)</u>	<u>(600)</u>

#### 4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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

Protection of the 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 public monies deposited with the institution.

Interim monies are permitted to be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$2,129,409 and the bank balance was \$2,333,152. Of the bank balance, \$188,643 was covered by federal depository insurance and \$2,144,509 was uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging financial institution's trust department, but not in the District's name, and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments that are held by the counter party'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 counter party, or by its trust department or agent but not in the District's name. The District's investments in STAROhio is unclassified because it is not evidenced by securities that exist in physical or book entry form. The School District owned no investments at June 30, 2002.

## 5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last update was completed for tax year 1998. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Wood and Hancock Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable 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, 2002, was \$116,000 in the General Fund, \$22,000 in the Debt Service Fund, and \$7,000 in the Capital Projects Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 49,035,440	71.45%	50,009,000	73.08%
Public Utility	6,597,640	9.61%	6,087,070	8.90%
Tangible Personal Property	<u>12,994,972</u>	18.94%	<u>12,332,048</u>	18.02%
Total Assessed Value	\$ <u>68,628,052</u>	100.00%	<u>68,428,118</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$55.86		\$55.86

## 6. RISK MANAGEMENT

The School District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. There was no decline in the level of coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school 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 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. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District also participates in the Wood County Benefit Plan Association Employee Insurance Benefits Program, a group insurance purchasing pool (Note 16), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

## 7. FIXED ASSETS

A summary of the proprietary funds' fixed assets at June 30, 2002, follows:

		<u>Enterprise</u>
Furniture and equipment	\$	208,037
Less accumulated depreciation		<u>138,953</u>
Net fixed assets	\$	<u><u>69,084</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	Balance at <u>7/1/01</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/02</u>
Land and improvements	\$ 312,323	24,505	-	336,828
Buildings and improvements	2,968,407	2,739,754	-	5,708,161
Furniture and equipment	1,492,851	238,018	-	1,730,869
Vehicles	462,222	-	-	462,222
Construction in progress	<u>1,218,695</u>	<u>-</u>	<u>(1,218,695)</u>	<u>-</u>
Total General Fixed Assets	\$ <u>6,454,498</u>	<u>3,002,277</u>	<u>(1,218,695)</u>	<u>8,238,080</u>

## 8. DEFINED BENEFIT PENSION PLANS

### School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, currently 14% of annual covered payroll. 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 School District's required contributions to SERS for the years ended June 30, 2002, 2001, and 2000 were approximately \$108,000, \$96,000, and \$92,000, respectively; 55% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

## **State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2002, 2001, and 2000, were approximately \$339,000, \$328,000 and \$309,000 respectively; 86% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

## **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or SERS/STRS. The Board's liability is 6.2% of wages paid.

## **9. POSTEMPLOYMENT BENEFITS**

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2002, the board allocated employer contributions equal to 4.50% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled approximately \$109,000 during fiscal year 2002. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300.8 million and STRS had 102,132 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.80% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care for the year ended June 30, 2001 were \$161.4 million and the target level was \$242.2 million. At June 30, 2001, SERS' net assets available for payment of health care benefits were \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, equaled approximately \$76,000 during the 2002 fiscal year.

**10. EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month and sick leave may be accumulated without limit. Upon retirement, payment is made for one-third of accrued, but unused sick leave to a maximum of 30 days; however, the maximum is increased to 60 days for employees to elect to retire within 12 months of the first eligible retirement date.

**11. SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended June 30, 2002 follows:

	Principal Outstanding		Principal Outstanding
	<u>7/1/01</u>	<u>Additions</u>	<u>6/30/02</u>
Bond anticipation notes	\$ 3,460,000	3,295,000	(3,460,000) 3,295,000
Tax anticipation notes	<u>32,000</u>	-	<u>(16,000) 16,000</u>
Total	\$ <u>3,492,000</u>	<u>3,295,000</u>	<u>(3,476,000) 3,311,000</u>

*Bond Anticipation Notes* - On April 12, 2001, School District issued \$3,460,000 of bond anticipation notes for school improvements bearing interest at 4.00%. These notes matured on April 11, 2002 and were paid in full. On April 11, 2002, School District issued \$3,295,000 of bond anticipation notes for school improvements bearing interest at 2.95%. These notes mature on April 10, 2003.

*Tax Anticipation Notes* - These consist of property tax anticipation notes bearing interest at 4.30% and maturing on December 1, 2002.

## 12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 7/1/01	Additions	Deletions	Principal Outstanding 6/30/02
Energy Project Notes	\$ 47,417	-	(11,854)	35,563
Pension obligation	28,512	28,504	(28,512)	28,504
Compensated absences	<u>342,306</u>	<u>28,299</u>	<u>-</u>	<u>370,605</u>
Total general long-term obligations	\$ <u>418,235</u>	<u>56,803</u>	<u>(40,366)</u>	<u>434,672</u>

*Energy Project Notes* - These notes were issued in March 1995 for energy-saving projects. The notes bear interest at 6.5% and mature in March 2005.

The School District's voted legal debt margin was \$6,176,525 with an unvoted debt margin of \$68,628 at June 30, 2002. Principal and interest requirements to retire general obligation debt at June 30, 2002, are as follows:

Fiscal Year	Ending June 30,	Principal	Interest	Total
2003	\$	11,854	2,312	14,166
2004		11,854	1,541	13,395
2005		<u>11,855</u>	<u>771</u>	<u>12,626</u>
Total	\$	<u>35,563</u>	<u>4,624</u>	<u>40,187</u>

## 13. CAPITALIZED LEASES

The School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. Assets under capital leases totaled \$146,722 at June 30, 2002. The following is a schedule of future minimum lease payments under capital leases and the net present value of the minimum lease payments as of June 30, 2002.

Year Ending June 30	
2003	\$ 35,700
2004	35,700
2005	35,700
2006	35,700
2007	<u>8,925</u>
Minimum lease payments	151,725
Less: Amount representing interest	<u>23,461</u>
Present value of minimum lease payments	\$ <u>128,264</u>



#### 14. SEGMENT INFORMATION FOR ENTERPRISE FUND

The School District maintains two enterprise funds to account for the operations of food services and preschool. The table below reflects in a summarized format the more significant financial data relating to these funds as of and for the fiscal year ended June 30, 2002:

		Food <u>Services</u>	Uniform School <u>Supplies</u>	<u>Total</u>
Operating revenue	\$	156,331	11,128	167,459
Operating expenses before depreciation		246,854	13,025	259,879
Depreciation		9,535	-	9,535
Operating income (loss)		(100,058)	(1,897)	(101,955)
Donated commodities		22,575	-	22,575
Operating grants		63,169	-	63,169
Interest income		1,304	-	1,304
Net loss before operating transfers		(13,010)	(1,897)	(14,907)
Net operating transfers		-	1,897	1,897
Net loss		(13,010)	-	(13,010)
Net working capital		19,665	-	19,665
Total assets		132,416	-	132,416
Total equity		88,749	-	88,749
Fixed asset additions		7,041	-	7,041
Encumbrances at June 30, 2002	\$	2,001	-	2,001

#### 15. JOINTLY GOVERNED ORGANIZATIONS

##### *The Northwest Ohio Area Computer Services Cooperative (NOACSC)*

NOACSC is a jointly governed organization among forty-nine educational entities, primarily school districts located in the Ohio counties of Paulding, Van Wert, Mercer, Putnam, Allen, Hancock, Auglaize, Hardin and Wood. The general membership of the NOACSC consists of a representative from each member school and a representative from the fiscal agent. NOACSC is governed by a Governing Assembly of twelve elected members, two from each of the original six counties of Paulding, Van Wert, Mercer, Putnam, Allen and Hancock. NOACSC was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The duties and obligations of the organization and members participating is set forth in a written agreement covering the program. Each of the participating educational entities support NOACSC based upon a per pupil charge dependent upon the software package(s) utilized. The degree of control exercised by any participant is limited to representation on the Governing Assembly but there is no ongoing financial interest or responsibility by the participating governments. Financial information for NOACSC can be obtained from their administrative offices at 645 South Main Street, Lima, Ohio 45804.

## **16. INSURANCE PURCHASING POOLS**

### *Ohio School Boards Association Workers' Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association Workers' 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.

### *Wood County Schools Health Insurance Consortium*

The Wood County Schools Health Insurance Consortium (the Consortium) is a public entity shared risk pool consisting of six local school districts, three city or exempted village school districts, one vocational school district, and an educational service center. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee, which advises the Trustee, Huntington Bank, concerning aspects of the Consortium.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Coresource, PO Box 6118, Westerville, Ohio 43086-6118.

## **17. CONTINGENCIES**

### **Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

### **Litigation**

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**18. REQUIRED SET-ASIDES**

The School District is required by State Statute to annually set aside in the general fund an amount based on the 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. Although no longer required by state statute, a budget stabilization reserve may still be set-aside at the discretion of the School District. The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

		<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2001	\$	(21,178)	-	105,387
Current year set-aside requirement		92,382	92,382	-
Less qualifying disbursements and offsets		<u>(151,206)</u>	<u>(388,377)</u>	<u>-</u>
Total		<u>(80,002)</u>	<u>(295,995)</u>	<u>105,387</u>
Balance carried to FY2003		<u>(80,002)</u>	<u>-</u>	<u>105,387</u>
Reserve balance as of June 30, 2002	\$	<u>-</u>	<u>-</u>	<u>105,387</u>

Since the School District had qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, this extra amount may be used to reduce the set aside requirement of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirement for future years.

**19. 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.

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. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
North Baltimore Local School District:

We have audited the financial statements of the North Baltimore Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 operations that we consider to be material weaknesses.

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
October 25, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

**WOOD 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  
JANUARY 9, 2003**