

**BERLIN-MILAN LOCAL  
SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2001***

**MARK CHARVILLE, TREASURER**





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Board of Education  
Berlin Milan Local School District  
140 South Main Street Milan, Ohio 44846

We have reviewed the independent auditor's report of the Berlin Milan Local School District, Erie County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. 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 Berlin Milan Local School District is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

January 15, 2002

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**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

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## Independent Auditor's Report

Board of Education  
Berlin-Milan Local School District  
140 South Main Street  
Milan, Ohio 44846-9770

We have audited the accompanying general purpose financial statements of the Berlin-Milan Local School District, Erie County, (the "District") as of and for the fiscal 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose 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 Berlin-Milan Local School District, Erie County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As disclosed in Note 3 to the general purpose financial statements, the District elected to change its accounting method for its General Fixed Assets for the fiscal year ended June 30, 2001.

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

Trimble, Julian & Grube, Inc.  
November 30, 2001

**BERLIN-MILAN LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)			
	General	Special Revenue	Debt Service			Capital Projects	Enterprise		Trust and Agency	General Fixed Assets	General Long-Term Obligations
<b>ASSETS AND OTHER DEBITS</b>											
<b>ASSETS:</b>											
Equity in pooled cash and cash equivalents . . . . .	\$3,581,463	\$159,443	\$482,955	\$190,047	\$82,374	\$66,632		\$4,562,914			
Receivables (net of allowances of uncollectibles):											
Property taxes - current & delinquent . . . . .	5,981,506	1,666	164,465	489,019	3,056	30		6,634,990			
Accounts . . . . .	1,529							6,281			
Accrued interest . . . . .	12,703							12,703			
Prepayments . . . . .	21,707				696			22,403			
Materials and supplies inventory . . . . .	21,798				17,775			39,573			
Restricted assets:											
Equity in pooled cash and cash equivalents . . . . .	53,631							53,631			
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					38,750		\$9,796,261	9,835,011			
<b>OTHER DEBITS:</b>											
Amount available in Debt Service Fund . . . . .							\$492,174	492,174			
Amount to be provided for retirement of General Long-Term Obligations . . . . .							1,075,314	1,075,314			
Total assets and other debits . . . . .	\$9,674,337	\$161,109	\$647,420	\$679,066	\$142,651	\$66,662	\$9,796,261	\$22,734,994			

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**BERLIN-MILAN LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency		General Fixed Assets	General Long-Term Obligations
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>LIABILITIES:</b>											
Accounts payable . . . . .	\$28,381	\$3,484		\$58,127					\$89,992		
Accrued wages and benefits . . . . .	841,219	24,160			\$21,639				887,018		
Compensated absences payable . . . . .	54,435				6,522		\$386,872		447,829		
Pension obligation payable . . . . .	172,305	3,414			20,822		70,368		266,909		
Deferred revenue . . . . .	5,707,764		\$155,246	483,175	14,832				6,361,017		
Due to other governments . . . . .	1,659	28							1,687		
Due to students . . . . .						\$64,170			64,170		
Deposits held and due to others . . . . .						779			779		
General obligation bonds payable . . . . .							720,000		720,000		
Energy conservation notes payable . . . . .							382,037		382,037		
Obligation under capital lease . . . . .							8,211		8,211		
<b>Total liabilities . . . . .</b>	<b>6,805,763</b>	<b>31,086</b>	<b>155,246</b>	<b>541,302</b>	<b>63,815</b>	<b>64,949</b>	<b>1,567,488</b>		<b>9,229,649</b>		
<b>EQUITY AND OTHER CREDITS:</b>											
Investment in general fixed assets . . . . .								\$9,796,261	9,796,261		
Retained earnings: unreserved . . . . .					78,836				78,836		
<b>Fund balances:</b>											
Reserved for encumbrances . . . . .	368,566	47,799		56,599		150			473,114		
Reserved for materials and supplies inventory . . . . .	21,798								21,798		
Reserved for prepayments . . . . .	21,707								21,707		
Reserved for debt service . . . . .			482,955						482,955		
Reserved for tax revenue unavailable for appropriation . . . . .	285,680		9,219	5,844					300,743		
Reserved for BWC refunds . . . . .	53,631								53,631		
Designated for budget stabilization . . . . .	160,950								160,950		
Unreserved-undesignated . . . . .	1,956,242	82,224		75,321		1,563			2,115,350		
<b>Total equity and other credits . . . . .</b>	<b>2,868,574</b>	<b>130,023</b>	<b>492,174</b>	<b>137,764</b>	<b>78,836</b>	<b>1,713</b>		<b>9,796,261</b>	<b>13,505,345</b>		
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$9,674,337</b>	<b>\$161,109</b>	<b>\$647,420</b>	<b>\$679,066</b>	<b>\$142,651</b>	<b>\$66,662</b>	<b>\$1,567,488</b>	<b>\$9,796,261</b>	<b>\$22,734,994</b>		

**BERLIN-MILAN LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$5,610,371		\$150,746	\$386,324		\$6,147,441
Tuition . . . . .	121,108					121,108
Earnings on investments . . . . .	256,859			1,706		258,565
Other local revenues . . . . .	148,120	\$273,609			\$1,678	423,407
Other revenue . . . . .	760					760
Intergovernmental - State . . . . .	5,168,801	211,927	16,062	126,942		5,523,732
Intergovernmental - Federal . . . . .		235,484				235,484
<b>Total revenues . . . . .</b>	<b>11,306,019</b>	<b>721,020</b>	<b>166,808</b>	<b>514,972</b>	<b>1,678</b>	<b>12,710,497</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	5,346,744	190,455		252,340		5,789,539
Special . . . . .	1,074,178	87,652				1,161,830
Vocational . . . . .	81,425					81,425
Other . . . . .	159,913					159,913
Support services:						
Pupil . . . . .	573,457	61,329				634,786
Instructional staff . . . . .	187,700	120,557				308,257
Board of Education . . . . .	23,183					23,183
Administration . . . . .	1,133,506	16,996				1,150,502
Fiscal . . . . .	241,906	7,271		7,824		257,001
Operations and maintenance . . . . .	1,046,397	3,420				1,049,817
Pupil transportation . . . . .	651,774			140,000		791,774
Central . . . . .	498,558					498,558
Extracurricular activities . . . . .	346,109	267,558			915	614,582
Facilities services . . . . .	58,293			203,838		262,131
Debt service:						
Principal retirement . . . . .	8,146		85,589			93,735
Interest and fiscal charges . . . . .	62		76,647			76,709
<b>Total expenditures . . . . .</b>	<b>11,431,351</b>	<b>755,238</b>	<b>162,236</b>	<b>604,002</b>	<b>915</b>	<b>12,953,742</b>
Excess of revenues over/(under) expenditures . . . . .	(125,332)	(34,218)	4,572	(89,030)	763	(243,245)
Other financing sources (uses):						
Operating transfers in . . . . .			64,832			64,832
Operating transfers out . . . . .	(64,832)					(64,832)
Proceeds from sale of assets . . . . .	486					486
<b>Total other financing sources (uses) . . . . .</b>	<b>(64,346)</b>		<b>64,832</b>			<b>486</b>
Excess of revenues and other financing sources over/(under) expenditures and other financing (uses) . . . . .	(189,678)	(34,218)	69,404	(89,030)	763	(242,759)
Fund balance, July 1 . . . . .	3,059,108	164,241	422,770	226,794	950	3,873,863
Decrease in reserve for inventory . . . . .	(856)					(856)
<b>Fund balance, June 30 . . . . .</b>	<b>\$2,868,574</b>	<b>\$130,023</b>	<b>\$492,174</b>	<b>\$137,764</b>	<b>\$1,713</b>	<b>\$3,630,248</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General		Special Revenue		Debt Service		Capital Projects		Total (Memorandum only)	
	Revised Budget	Actual	Revised Budget	Actual	Budget Revised	Actual	Budget Revised	Actual	Budget Revised	Actual
	Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)	
<b>Revenues:</b>										
From local sources:										
Taxes.....	\$5,970,038	\$5,970,038	\$0	\$0	\$160,183	\$160,183	\$422,171	\$422,171	\$6,591,061	\$6,552,392
Tuition.....	122,185	122,483	298	122,185		122,483		122,483	122,483	298
Earnings on investments.....	300,647	301,381	734	300,647		300,925		303,087	300,925	2,162
Other local revenues.....	146,234	146,591	357	\$272,633	(\$11)	16,062	1,706	418,878	418,878	419,224
Intergovernmental - State.....	5,161,452	5,174,051	12,599	74,472	(3)	0	89,601	126,943	5,341,587	5,391,525
Intergovernmental - Federal.....				423,631	(18)			423,631	423,631	(18)
Total revenues.....	11,700,556	11,714,544	13,988	770,747	(32)	176,245	550,820	1,011	13,198,267	13,212,324
<b>Expenditures:</b>										
Current:										
Instruction:										
Regular.....	5,723,985	5,467,217	256,768	200,073	(3,841)	203,914	252,340	12,382	6,188,780	5,923,471
Special.....	1,066,119	1,037,689	28,430	99,924	10,661	89,263			1,166,043	1,126,952
Vocational.....	88,825	79,564	9,261						88,825	79,564
Other.....	207,107	159,913	47,194						207,107	159,913
Support services:										
Pupil.....	568,804	557,961	10,843	66,432	4,492	61,940	7,824	0	635,236	619,901
Instructional staff.....	195,645	192,024	3,621	111,312	(4,445)	115,757			306,957	307,781
Board of Education.....	26,162	23,945	2,217						26,162	23,945
Administration.....	1,168,946	1,144,446	23,600	19,514	1,298	18,216			1,187,560	1,162,662
Fiscal.....	246,021	244,559	1,462	7,468	226	7,242			261,313	259,625
Operations and maintenance.....	1,074,564	1,034,874	39,690	3,484	0	3,484			1,078,048	1,038,358
Pupil transportation.....	697,446	646,714	50,732						786,714	786,714
Central.....	456,446	456,446	(82,529)						456,446	538,975
Extracurricular activities.....	305,470	326,333	(20,863)	305,531	13,464	292,067			611,001	618,400
Facilities services.....	110,814	69,352	41,462						398,369	329,790
Debt service:										
Principal retirement.....									85,589	85,589
Interest and fiscal charges.....									76,752	76,647
Total expenditures.....	11,935,454	11,523,566	411,888	813,738	21,855	791,883	700,101	660,602	13,611,634	13,138,287
Excess of revenues over (under) expenditures.....	(234,898)	190,978	425,876	(42,991)	21,823	(21,168)	(149,382)	(109,782)	(413,367)	74,037
Other financing sources (uses):										
Refund of prior year's expenditures.....	4,407	4,418	11						4,407	4,418
Operating transfers in.....	(166,425)	(64,832)	101,593						64,832	64,832
Operating transfers (out).....	55,012	55,146	134						(166,425)	(64,832)
Advances in.....	485	486	1	(55,146)	0	(55,146)			55,012	55,146
Advances (out).....	(500,000)	0	500,000						(55,146)	(55,146)
Proceeds of sale of fixed assets.....	(606,521)	(4,782)	601,739	(55,146)	0	(55,146)			485	486
Pass-through.....									(500,000)	0
Total other financing sources (uses).....	(841,419)	186,196	1,027,615	(98,137)	21,823	(76,314)	(149,382)	(109,782)	(596,835)	4,904
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).....	2,727,734	2,727,734	0	94,182	0	94,182	404,114	147,968	(1,010,202)	78,941
Fund balances (Restated), July 1.....	309,890	309,890	0	90,294	0	90,294	37,135	37,135	3,373,998	3,373,998
Prior year encumbrances appropriated.....									437,319	437,319
Fund balances, June 30.....	\$2,196,205	\$3,223,820	\$1,027,615	\$86,339	\$21,823	\$108,162	\$482,850	\$75,321	\$2,801,115	\$3,890,258

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services . . . . .	\$335,242
Other operating revenues . . . . .	9,889
Total operating revenues. . . . .	345,131
Operating expenses:	
Personal services . . . . .	200,011
Contract services . . . . .	7,626
Materials and supplies. . . . .	241,226
Depreciation. . . . .	2,728
Total operating expenses. . . . .	451,591
Operating loss. . . . .	(106,460)
Nonoperating revenues (expenses):	
Operating grants . . . . .	102,521
Federal commodities. . . . .	53,993
Interest revenue . . . . .	2,488
Loss on sale of assets . . . . .	(259)
Total nonoperating revenues . . . . .	158,743
Net income. . . . .	52,283
Retained earnings July 1. . . . .	26,553
Retained earnings June 30. . . . .	\$78,836

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges . . . . .	\$335,586
Cash received from other operations . . . . .	10,033
Cash payments for personal services . . . . .	(216,134)
Cash payments for contract services . . . . .	(7,626)
Cash payments supplies and materials . . . . .	(184,717)
Net cash used in operating activities . . . . .	(62,858)
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	102,521
Net cash provided by noncapital financing activities . . . . .	102,521
Cash flows from investing activities:	
Interest received . . . . .	2,488
Net cash provided by investing activities . . . . .	2,488
Net increase in cash and cash equivalents . . . . .	42,151
Cash and cash equivalents at beginning of year . . . . .	40,223
Cash and cash equivalents at end of year . . . . .	\$82,374
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss . . . . .	(\$106,460)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	2,728
Federal donated commodities . . . . .	53,993
Changes in assets and liabilities:	
Increase in supplies inventory . . . . .	(2,390)
Decrease in accounts receivable . . . . .	488
Decrease in prepayments . . . . .	1,197
Decrease in accrued wages & benefits . . . . .	(13,259)
Decrease in compensated absences payable . . . . .	(1,522)
Decrease in pension obligation payable . . . . .	(2,539)
Increase in deferred revenue . . . . .	4,906
Net cash used in operating activities . . . . .	(\$62,858)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Berlin-Milan Local School District (the "District") is located in Erie County and encompasses the Villages of Milan and Berlinville and portions of surrounding townships.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. 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.

The District ranks as the 302<sup>nd</sup> largest by enrollment among the 682 public and community school districts in the State, and the 4<sup>th</sup> largest in Erie County. It currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 74 non-certified and 111 certified employees to provide services to 1,859 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*Jointly Governed Organizations:*

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of 26 school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consist of 1 elected representative of each county, the superintendent of the fiscal agent and 2 non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms, which are staggered. Financial information can be obtained by contacting the Erie-Ottawa County Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

EHOVE Joint Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Northern Ohio Educational Computer Association (NOECA)

NOECA is a jointly governed organization among 41 school districts. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. 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 the Erie-Ottawa County Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

*Related Organization:*

Milan Public Library

The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel and does not depend on the District for operational subsidies. In 1997 the District passed a tax renewal of .8 mills on behalf of the Library. The District reports these monies in an Agency fund.

The District also participates in two insurance group purchasing pools, described in Note 11.

**B. Fund Accounting**

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



**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*GOVERNMENTAL FUNDS*

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

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

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

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

*PROPRIETARY FUNDS*

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) 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.

*FIDUCIARY FUNDS*

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include 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 the measurement of results of operations. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items, which, in other funds, would be subject to accrual.

*ACCOUNT GROUPS*

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue, at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Budgets**

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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. 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.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. Not all departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 12 to the financial statements.

**E. Cash and Investments**

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

During 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and federal agency securities.

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 are reported at cost.

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.

The District assigns all investment earnings to the General Fund, except those specifically related to the Building Fund, Scholarship Fund, and the Food Service Fund. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$256,859, which includes \$52,876 assigned from other District funds.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Inventory**

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

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepayments**

Prepayments for Governmental funds represent cash disbursements, which have occurred and are, therefore, not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. 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. 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.



**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

2. Proprietary Funds and Non-Expendable Trust Funds

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

Asset	Life (years)
Buildings	50
Furniture, Fixtures and Equipment	15 - 20
Vehicles	3 - 5

**I. Intergovernmental Revenues**

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

<p><u>Entitlements</u></p> <p style="padding-left: 20px;"><u>General Fund</u></p> <p style="padding-left: 40px;">State Foundation Program</p> <p style="padding-left: 40px;">State Property Tax Relief</p> <p style="padding-left: 20px;"><u>Debt Service Fund</u></p> <p style="padding-left: 40px;">State Property Tax Relief</p> <p><u>Non-Reimbursable Grants</u></p> <p style="padding-left: 20px;"><u>Special Revenue Funds</u></p> <p style="padding-left: 40px;">Teacher Development</p> <p style="padding-left: 40px;">Management Information Systems</p> <p style="padding-left: 40px;">Title VI-B</p> <p style="padding-left: 40px;">Title I</p> <p style="padding-left: 40px;">Title VI</p>	<p><u>Non-Reimbursable Grants - (Continued)</u></p> <p style="padding-left: 20px;"><u>Special Revenue Funds - (Continued)</u></p> <p style="padding-left: 40px;">Ohio Reads</p> <p style="padding-left: 40px;">Summer Intervention</p> <p style="padding-left: 40px;">SchoolNet Professional Development</p> <p style="padding-left: 40px;">McAuliffe Grant</p> <p style="padding-left: 40px;">Early Childhood Education</p> <p style="padding-left: 40px;">Title VI-R</p> <p style="padding-left: 40px;">Preschool for the Handicapped</p> <p style="padding-left: 20px;"><u>Capital Projects Funds</u></p> <p style="padding-left: 40px;">SchoolNet</p>
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**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Reimbursable Grants

General Fund

Driver Education  
Vocation Education Travel/Salary

Proprietary Funds

National School Lunch Program  
Donated Commodities

Capital Projects Funds

Vocational Education Equipment

Grants and entitlements amounted to approximately 45% of the District's operating revenue during the 2001 fiscal year.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Accumulated vacation and severance 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 Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**K. 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 sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, 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.

**L. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, BWC refunds, materials and supplies inventory, prepayments, debt service, and tax revenue unavailable for appropriation. In addition, fund equity is designated for budget stabilization due to action performed by the Board of Education. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balance represents planned actions for monies set-a-side by the District for budget stabilization.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Statutory Reserves**

The District is required by state law to set aside certain (cash basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook <u>Reserve</u>	Capital Maintenance <u>Reserve</u>	BWC <u>Refunds</u>	Budget Stabilization <u>Designated</u>
Balance, July 1, 2000 (Restated)	\$ (67,756)	\$(307,225)	\$ 0	\$212,924
Required Set-Aside	304,775	304,775	0	1,657
Offset Credits		(460,839)		
Qualifying Expenditures	(320,283)	(402,025)		
Change in Statutory Requirement	<u>          </u>	<u>          </u>	<u>53,631</u>	<u>(53,631)</u>
Total	<u>(83,264)</u>	<u>(865,314)</u>	<u>53,631</u>	<u>160,950</u>
Cash Balance/Carry forward to FY02	<u>\$ (83,264)</u>	<u>\$(865,314)</u>	<u>\$ 53,631</u>	<u>\$160,950</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies previously reported in the budget stabilization reserve may be reported as unreserved and undesignated fund equity in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve. Further, via Board Resolution, the District elected to maintain its budget stabilization amount at June 30, 2001.

A schedule of the restricted assets at June 30, 2001:

Amount restricted for BWC refunds    \$53,531

The District had offsets and qualifying disbursements during the year that reduced the textbook and capital maintenance set-aside amount below zero; these extra amounts are being carried forward to reduce the set-aside requirements of future years.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund, which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Statement of Cash Flows**

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**P. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Estimates**

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

**R. Restricted Assets**

Restricted assets in the general fund represent cash whose use is restricted by State statute. A fund balance reserve has also been established. See Note 2.M. for details.

**S. Memorandum Only - Total Columns**

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustments**

1. The District has presented a restatement of certain fund balances as originally presented at June 30, 2000 on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget-and-Actual Comparison (Non-GAAP Budgetary Basis), All Governmental Fund Types because of errors in prior fiscal years' encumbrances. The effect of this adjustment to fund balances is as follows:

	Balance as Originally Presented <u>June 30, 2000</u>	Effect of Adjustment	Restated Balance <u>July 1, 2000</u>
General Fund	\$3,142,801	\$(415,067)	\$2,727,734
Special Revenue Funds	148,060	(53,878)	94,182
Capital Projects Funds	160,806	(12,838)	147,968

2. The District has presented a restatement of its General Fixed Asset Account Group at June 30, 2000 due to a change in accounting principles. The effect of this adjustment to the General Fixed Asset Account Group is as follows:

	Balance as Originally Presented <u>June 30, 2000</u>	Effect of Adjustment	Restated Balance <u>July 1, 2000</u>
General Fixed Asset Account Group	\$6,626,220	\$3,020,837	\$9,647,057

**B. Change in Accounting Principle**

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

During fiscal 2001, the District elected to change its accounting method for its General Fixed Assets. In prior years, the District had presented balances net of accumulated depreciation. The District has elected to records assets at cost.

**C. Deficit Fund Balances**

Deficit fund balances at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Early Childhood Education	\$(9,487)
Summer Intervention	(26)
Miscellaneous Federal Grants	(746)

These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with state statute which does not allow for a negative fund balance at year end.

**D. Agency Funds**

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

<u>ASSETS</u>	
Taxes - Current and Delinquent	\$125,555



**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**E. Statutory Noncompliance**

The following funds had expenditures plus encumbrances in excess of appropriations in noncompliance with Ohio Revised Code Section 5705.41 (B):

<u>Fund Type/Fund/Fund/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund/General Fund/ Supporting Services/Miscellaneous	\$434,000	\$532,039	\$98,039
General Fund/General Fund/ Extracurricular Activities/ Salaries	249,200	267,651	18,451
Benefits	56,270	58,682	2,412
Special Revenue/Other Grants	123	426	303
Special Revenue/Network Connectivity	0	12,000	12,000
Special Revenue/Ohio Reads	54,898	56,898	2,000
Special Revenue/Education for Economic Security Act (EESA)	0	4,938	4,938
Special Revenue/Title IV - Drug-Free Schools	0	7,438	7,438
Special Revenue/Miscellaneous Federal	24,771	24,780	9

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bond 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) 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);

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year-end, the District had \$4,300 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$(272,455) and the bank balance was \$170,305. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The entire bank balance was covered by federal depository insurance.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

*Investments:* The District's investments are required to be categorized 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 for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Reported Amount	Fair Value
Federal Agency Securities	\$813,760	\$ 813,760	\$ 813,760
Not Subject to Categorization:			
Investment in State Treasurer's Investment Pool	_____	4,070,940	4,070,940
Total Investments	<u>\$813,760</u>	<u>\$4,884,700</u>	<u>\$4,884,700</u>

The federal agency securities have maturities ranging from November, 2001 to May, 2002.

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$4,616,545	\$ 0
Investments of the Cash Management Pool:		
Federal Agency Securities	(813,760)	813,760
State Treasurer's Investment Pool	(4,070,940)	4,070,940
Cash on Hand	(4,300)	
GASB Statement No. 3	\$ (272,455)	\$4,884,700

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for fiscal year 2001:

Fund	Transfers In	Transfers (Out)
General Fund		\$(64,832)
Debt Service Fund	\$64,832	
Totals	\$64,832	\$(64,832)

**NOTE 6 - PROPERTY TAXES**

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2001 taxes were collected were as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$135,728,170	75.80	\$154,879,960	77.45
Public Utility Personal	17,810,260	9.95	18,189,170	9.10
Tangible Personal Property	25,520,529	14.25	26,888,970	13.45
	\$179,058,959	100.00	\$199,958,100	100.00

Tax rate per \$1,000 of  
assessed valuation:

Operations	\$58.55	\$58.55
Debt Service	.96	.85
Permanent Improvement	3.50	3.50

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.

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

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 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.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. Available tax advances at June 30, 2001 totaled \$285,680 in the General fund, \$9,219 in the Debt Service fund, and \$5,844 in the Permanent Improvement fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, accrued interest, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). 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.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$5,981,506
Accrued Interest	12,703
 <u>Debt Service Fund</u>	
Taxes - Current and Delinquent	164,465
 <u>Capital Projects Fund</u>	
Taxes - Current and Delinquent	489,019

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 8 - FIXED ASSETS**

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

	Restated Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2001</u>
Land/Improvements	\$1,058,944			\$1,058,944
Buildings/Improvements	4,826,410			4,826,410
Furniture/Equipment	2,049,291	\$194,687	\$ (87,191)	2,156,787
Vehicles	1,122,810	255,914	(214,206)	1,164,518
Books	<u>589,602</u>	_____	_____	<u>589,602</u>
Total	<u>\$9,647,057</u>	<u>\$450,601</u>	<u>\$(301,397)</u>	<u>\$9,796,261</u>

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

Furniture and Equipment	\$ 172,956
Less: Accumulated Depreciation	<u>(134,206)</u>
Net Fixed Assets	<u>\$ 38,750</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District has entered into capitalized leases for the acquisition of copiers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statements of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. Principal payments totaled \$8,146 in fiscal 2001. These expenditures are reflected as program/function expenditures on a budgetary basis.



**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30</u>	<u>General Long-Term Obligations</u>
2002	\$5,814
2003	<u>2,423</u>
Total future minimum lease payments	8,237
Less: amount representing interest	<u>(26)</u>
Present value of future minimum lease payments	<u><u>\$8,211</u></u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. The General obligation bonds are voted issues for school building improvement projects. General obligation bonds are direct obligations of the District for which its full faith, credit, and resources are pledged. These bonds are payable from a .85 (average) mill tax levied on all taxable property in the District. Accordingly, such unmatured obligations are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund.

During a prior fiscal year, the District issued unvoted long-term “energy conservation” notes, under authority of H.B. 264. Energy conservation notes outstanding are general obligations of the District, for which the District’s full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

**B.** The following is a description of the District's notes and bonds outstanding as of June 30, 2001:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2000</u>	<u>Retired in Fiscal 2001</u>	<u>Balance June 30, 2001</u>
Energy Conservation Notes	4.5%	02/26/98	12/01/08	\$ 427,626	\$(45,589)	\$ 382,037
General Obligation Bonds	7.34%	03/15/91	12/01/11	<u>760,000</u>	<u>(40,000)</u>	<u>720,000</u>
Total				<u>\$1,187,626</u>	<u>\$(85,589)</u>	<u>\$1,102,037</u>

**C.** The following is a summary of the District's future annual debt service requirements to maturity for energy conservation notes and general obligation bonds:

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>	<u>Energy Conservation Notes</u>	<u>Total</u>
2002	\$ 96,682	\$ 64,833	\$ 161,515
2003	88,797	64,832	153,629
2004	90,632	64,833	155,465
2005	92,093	64,832	156,925
2006	93,181	64,832	158,013
2007- 2012	<u>603,641</u>	<u>129,665</u>	<u>733,306</u>
Total	1,065,026	453,827	1,518,853
Less Interest:	<u>(345,026)</u>	<u>(71,790)</u>	<u>(416,816)</u>
Total	<u>\$ 720,000</u>	<u>\$382,037</u>	<u>\$1,102,037</u>

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

**D.** During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2001</u>
Compensated Absences	\$ 459,069		\$ (72,197)	\$ 386,872
Pension Obligation	125,228	\$70,368	(125,228)	70,368
Capital Leases	16,357		(8,146)	8,211
General Obligation Bonds	760,000		(40,000)	720,000
Energy Conservation Notes	<u>427,626</u>		<u>(45,589)</u>	<u>382,037</u>
Total	<u>\$1,788,280</u>	<u>\$70,368</u>	<u>\$(291,160)</u>	<u>\$1,567,488</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 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 \$17,768,403 (including available funds of \$492,174), an unvoted debt margin of \$199,958, and an unvoted energy conservation debt margin of \$1,417,585.

**NOTE 11 - RISK MANAGEMENT**

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 insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reductions in amounts of insurance coverage from 2000.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 11 - RISK MANAGEMENT - (Continued)**

The District provides employee health care benefits through membership in the Huron-Erie School Employees Insurance Association, a public entity risk management pool. Monthly payments are made to the Association for health, dental and vision insurance coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the Association will purchase stop-loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120% of the prior year's aggregate claims. Individual coverage cannot exceed \$1,000,000 in claims during their lifetime. Financial information can be obtained by writing to the Erie-Ottawa Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

*OSBA WORKER'S COMPENSATION GROUP RATING*

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 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 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.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains one enterprise fund, which provides lunchroom/cafeteria services; therefore, segment information for the year ended June 30, 2001, is not presented. The Enterprise fund had \$6,499 of encumbrances outstanding at June 30, 2001.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$385,810, \$211,180, and \$175,443, respectively; 69% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$116,888, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. 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% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$696,661, \$681,773, and \$597,155, respectively; 82% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$124,996, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

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 are required to pay a portion of 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. Through June 30, 2001, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$223,927 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 net health care costs paid by STRS were \$283.137 million there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% 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 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$253,020 during the 2001 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - (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).



**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	<b>Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>			
	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Budget Basis	\$ 186,196	\$(76,314)	\$78,841	\$(109,782)
Net Adjustment for Revenue Accruals	(408,525)	(49,695)	(9,437)	(35,848)
Net Adjustment for Expenditure Accruals	(304,173)	(14,636)		(58,126)
Net Adjustment for Other Financing Sources (Uses)	(59,564)	55,146		
Encumbrances (Budget Basis)	<u>396,388</u>	<u>51,281</u>	_____	<u>114,726</u>
GAAP Basis	<u><u>\$ (189,678)</u></u>	<u><u>\$(34,218)</u></u>	<u><u>\$69,404</u></u>	<u><u>\$(89,030)</u></u>

**NOTE 16 - 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.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 16 - CONTINGENT LIABILITIES - (Continued)**

**B. Litigation**

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

**C. 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 November 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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 the effect, if any, this decision will have on its future State funding and on its financial operations.

## SUPPLEMENTAL DATA

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A) (B) Donated Commodities	10.550	N/A		\$58,900		\$53,993
(A) (C) National School Lunch	10.555	046789 LL-P4 2001	\$98,918		\$98,918	
<b>Total U. S. Department of Agriculture and Nutrition Cluster</b>			<u>98,918</u>	<u>58,900</u>	<u>98,918</u>	<u>53,993</u>
<b>U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I	84.010	046789 C1-S1 2001	38,425		29,307	
Title I	84.010	046789 C1-S1 2000	11,781		6,382	
<b>Total Title I</b>			<u>50,206</u>		<u>35,689</u>	
<b>Special Education Cluster:</b>						
(F) Title VI-B	84.027	046789 6B-SF 2000 P	131,774		115,901	
(F) Title VI-B	84.027	046789 C1-S1 2001 P	38,161		6,479	
<b>Total Title VI-B</b>			<u>169,935</u>		<u>122,380</u>	
(F) Special Education Preschool Handicapped	84.173	046789 PG-S1 1998 P	0		282	
(F) Special Education Preschool Handicapped	84.173	046789 PG-S1 1999 P	0		1,647	
(F) Special Education Preschool Handicapped	84.173	046789 PG-S1 2000 P	15,121		13,879	
<b>Total Special Education Preschool Handicapped</b>			<u>15,121</u>		<u>15,808</u>	
<b>Total Special Education Cluster</b>			<u>185,056</u>		<u>138,188</u>	
Drug Free Schools	84.186	046789 DR-S1 2001	7,438		7,438	
(E) Drug Free Schools	84.186	N/A	0		5	
<b>Total Drug-Free Schools</b>			<u>7,438</u>		<u>7,443</u>	
Eisenhower Professional Development	84.281	046789 MS-S1 2001	4,938		4,938	
(E) Eisenhower Professional Development	84.281	N/A	0		2,558	
(E) Eisenhower Professional Development	84.281	N/A	1,409		1,922	
<b>Total Eisenhower Professional Development</b>			<u>6,347</u>		<u>9,418</u>	
Innovative Educational Program Subsidy	84.298	046789 C2-S1 2000	6,076		8,680	
Innovative Educational Program Subsidy	84.298	046789 C2-S1 1999	0		55	
Innovative Educational Program Subsidy	84.298	046789 C2-S1 1999	1,172		1,172	
Innovative Educational Program Subsidy	84.298	046789 C2-S1 2001	8,877		1,168	
<b>Innovative Educational Program Subsidy</b>			<u>16,125</u>		<u>11,075</u>	
Class Size Reduction	84.340	046789 CR-S1 2001	17,183		17,111	
Class Size Reduction	84.340	046789 CR-S1 2000	5,209		2,379	
<b>Total Class Size Reduction</b>			<u>22,392</u>		<u>19,490</u>	
<b>Total U. S. Department of Education</b>			<u>287,564</u>		<u>221,303</u>	
<b>Total Federal Financial Assistance</b>			<u>\$386,482</u>	<u>\$58,900</u>	<u>\$320,221</u>	<u>\$53,993</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
 (B) The Food Distribution Program is a noncash, in kind, federal grant. Commodities are valued at fair market prices.  
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
 (D) This schedule was prepared on the cash basis of accounting.

- (E) Passed through Erie-Ottawa ESC  
 (F) Included as part of "Special Education Grant Cluster" in determining major programs.

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Berlin-Milan Local School District  
140 South Main Street  
Milan, Ohio 44846-9770

We have audited the general purpose financial statements of Berlin-Milan Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 30, 2001. 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 Berlin-Milan Local School District's general purpose 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-BMLSD-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of Berlin-Milan Local School District in a separate letter dated November 30, 2001.

Board of Education  
Berlin-Milan Local School District

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Berlin-Milan Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Berlin-Milan Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-BMLSD-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of Berlin-Milan Local School District in a separate letter dated November 30, 2001.

As disclosed in Note 3 to the general purpose financial statements, the District elected to change its accounting method for its General Fixed Assets.

This report is intended for the information of the Board and management of the Berlin-Milan Local School District, 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.

Trimble, Julian & Grube, Inc.  
November 30, 2001

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## **Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133***

Board of Education  
Berlin-Milan Local School District  
140 South Main Street  
Milan, Ohio 44846-9770222

### Compliance

We have audited the compliance of Berlin-Milan Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2001. Berlin-Milan Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of Berlin-Milan Local School District's management. Our responsibility is to express an opinion on Berlin-Milan Local School 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, Audit 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 Berlin-Milan Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Berlin-Milan Local School District's compliance with those requirements.

Board of Education  
Berlin-Milan Local School District

In our opinion, Berlin-Milan Local School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the fiscal year ended June 30, 2001.

#### Internal Control Over Compliance

The management of Berlin-Milan Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Berlin-Milan Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

As disclosed in Note 3 to the general purpose financial statements, the District elected to change its accounting method for its General Fixed Assets.

This report is intended for the information and use of management, the Board of Education of Berlin-Milan Local School District, 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.

Trimble, Julian & Grube, Inc.  
November 30, 2001



**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
 ERIE COUNTY  
 JUNE 30, 2001**

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

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

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Nutrition Grant Cluster: Donated Commodities; CFDA 10.550; National School Lunch; CFDA 10.555; Title I; CFDA #84.010.

**BERLIN-MILAN LOCAL SCHOOL DISTRICT  
ERIE COUNTY  
JUNE 30, 2001**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS (Continued)</b>		
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2001-BMLSD-001

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances exceeding appropriations in the following funds:

<u>Fund Type/Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund/General Fund/ Supporting Services/Miscellaneous	\$434,000	\$532,039	\$98,039
General Fund/General Fund/ Extracurricular Activities/ Salaries	249,200	267,651	18,451
Benefits	56,270	58,682	2,412
Special Revenue/Other Grants	123	426	303
Special Revenue/Network Connectivity	0	12,000	12,000
Special Revenue/Ohio Reads	54,898	56,898	2,000
Special Revenue/Education for Economic Security Act (EESA)	0	4,938	4,938
Special Revenue/Title IV - Drug-Free Schools	0	7,438	7,438
Special Revenue/Miscellaneous Federal	24,771	24,780	9

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been appropriated.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**BERLIN MILAN LOCAL SCHOOL DISTRICT**

**ERIE 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 29, 2002**