



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**



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

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**STATE OF OHIO**



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Russia Local School District  
Shelby County  
100 School Street  
Russia, Ohio 45363

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Russia Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Russia Local School District, Shelby County, as of June 30, 2000 and 1999 and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000, on our consideration of the School 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.

**JIM PETRO**  
Auditor of State

December 20, 2000

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**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

	<b>GOVERNMENTAL FUND TYPES</b>		
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>
<b>Assets and Other Debits:</b>			
Equity in Pooled Cash & Cash Equivalents	\$298,111	\$9,417	\$191,500
Cash and Cash Equivalents:			
With Fiscal Agents	0	3,741	0
Investments	0	0	0
Receivables:			
Accounts	405	74	0
Intergovernmental	1,185	0	0
Accrued Interest	5,872	0	0
Income Tax	88,240	0	0
Property & Other Local Taxes	786,609	0	74,207
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	1,120	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equiv.	45,694	0	0
Fixed Assets:			
Buildings and Building Improvements	0	0	0
Furniture, Fixtures, and Equipment	0	0	0
Vehicles	0	0	0
Accumulated Depreciation:			
Furniture, Fixtures and Equipment	0	0	0
Other Debits:			
Amount Available in Debt Service Fund			
for Retirement of General Long-Term Debt	0	0	0
Amount Provided from Gen Government Resource:	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$1,227,236</b>	<b>\$13,232</b>	<b>\$265,707</b>
<b>Liabilities:</b>			
Accounts Payable	\$9,123	\$173	\$0
Accrued Wages	174,440	0	0
Compensated Absences Payable	7,942	0	0
Intergovernmental Payable	37,142	184	0
Deferred Revenue	761,456	0	71,348
Due to Students	0	0	0
General Obligation Bonds Payable	0	0	0
<b>Total Liabilities</b>	<b>990,103</b>	<b>357</b>	<b>71,348</b>
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	24,480	827	0
Reserved for Inventory	1,120	0	0
Reserved for Property Taxes	25,404	0	2,859
Reserved for Endowments	0	0	0
Reserved for Budget Stabilization	31,405	0	0
Reserved for School Bus Purchases	14,289	0	0
Unreserved Undesignated	140,435	12,048	191,500
<b>Total Fund Equity and Other Credits</b>	<b>237,133</b>	<b>12,875</b>	<b>194,359</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$1,227,236</b>	<b>\$13,232</b>	<b>\$265,707</b>

*See Accompanying Notes to the General Purpose Financial Statements*



CAPITAL PROJECTS	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM) ONLY)
	ENTERPRISE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$60,122	\$21,888	\$44,769	\$0	\$0	\$625,807
0	0	0	0	0	3,741
0	0	9,500	0	0	9,500
0	298	0	0	0	777
0	56	0	0	0	1,241
0	0	245	0	0	6,117
0	0	0	0	0	88,240
0	0	0	0	0	860,816
0	939	0	0	0	939
0	98	0	0	0	1,218
0	0	0	0	0	45,694
0	0	0	1,462,640	0	1,462,640
0	12,081	0	564,097	0	576,178
0	0	0	215,086	0	215,086
0	(11,230)	0	0	0	(11,230)
0	0	0	0	194,359	194,359
0	0	0	0	122,255	122,255
<u>\$60,122</u>	<u>\$24,130</u>	<u>\$54,514</u>	<u>\$2,241,823</u>	<u>\$316,614</u>	<u>\$4,203,378</u>
\$0	\$0	\$1,064	\$0	\$0	\$10,360
0	4,030	0	0	0	178,470
0	2,658	0	0	131,237	141,837
0	6,768	0	0	20,377	64,471
0	916	0	0	0	833,720
0	0	39,267	0	0	39,267
0	0	0	0	165,000	165,000
0	14,372	40,331	0	316,614	1,433,125
0	0	0	2,241,823	0	2,241,823
0	9,758	0	0	0	9,758
0	0	0	0	0	25,307
0	0	0	0	0	1,120
0	0	0	0	0	28,263
0	0	7,900	0	0	7,900
0	0	0	0	0	31,405
0	0	0	0	0	14,289
60,122	0	6,283	0	0	410,388
<u>60,122</u>	<u>9,758</u>	<u>14,183</u>	<u>2,241,823</u>	<u>0</u>	<u>2,770,253</u>
<u>\$60,122</u>	<u>\$24,130</u>	<u>\$54,514</u>	<u>\$2,241,823</u>	<u>\$316,614</u>	<u>\$4,203,378</u>

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RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

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

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
<b>Revenues:</b>						
Intergovernmental	\$912,663	\$35,305	\$6,674	\$0	\$0	\$954,642
Interest	33,614	0	0	0	105	33,719
Tuition and Fees	171,897	0	0	0	0	171,897
Extracurricular Activities	4,986	38,301	0	0	0	43,287
Gifts and Donations	5,220	8,233	0	0	25,299	38,752
Income Tax	265,490	0	0	0	0	265,490
Property & Other Local Taxes	730,702	0	69,036	0	0	799,738
Miscellaneous	8,383	0	0	0	0	8,383
Total Revenues	<u>2,132,955</u>	<u>81,839</u>	<u>75,710</u>	<u>0</u>	<u>25,404</u>	<u>2,315,908</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,148,136	3,021	0	2,245	0	1,153,402
Special	188,225	16,042	0	0	0	204,267
Support Services:						
Pupils	46,266	6,443	0	0	0	52,709
Instructional Staff	66,223	5,517	0	10,253	0	81,993
Board of Education	3,971	0	0	0	0	3,971
Administration	221,631	0	500	0	0	222,131
Fiscal	67,445	0	1,599	0	0	69,044
Business	683	0	0	0	0	683
Operation and Maintenance of Plant	229,875	0	0	0	0	229,875
Pupil Transportation	87,638	6,803	0	0	0	94,441
Central	7,189	4,614	0	0	0	11,803
Non-Instructional Services	3,277	16	0	0	25,812	29,105
Extracurricular Activities	64,739	37,763	0	0	0	102,502
Capital Outlay	20	0	0	0	0	20
Debt Service:						
Principal Retirement	0	0	30,000	0	0	30,000
Interest and Fiscal Charges	0	0	16,875	0	0	16,875
Total Expenditures	<u>2,135,318</u>	<u>80,219</u>	<u>48,974</u>	<u>12,498</u>	<u>25,812</u>	<u>2,302,821</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,363)</u>	<u>1,620</u>	<u>26,736</u>	<u>(12,498)</u>	<u>(408)</u>	<u>13,087</u>
<b>Other Financing Sources and Uses:</b>						
Operating Transfers In	1,380	0	0	0	0	1,380
Operating Transfers Out	0	(1,380)	0	0	0	(1,380)
Total Other Financing Sources (Uses)	<u>1,380</u>	<u>(1,380)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Exp and Financing Sources (Uses)	<u>(983)</u>	<u>240</u>	<u>26,736</u>	<u>(12,498)</u>	<u>(408)</u>	<u>13,087</u>
Fund Balances at Beginning of Year	238,362	12,635	167,623	72,620	6,330	497,570
Decrease in Inventory	<u>(246)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(246)</u>
<b>Fund Balances at End of Year</b>	<u><u>\$237,133</u></u>	<u><u>\$12,875</u></u>	<u><u>\$194,359</u></u>	<u><u>\$60,122</u></u>	<u><u>\$5,922</u></u>	<u><u>\$510,411</u></u>

See Accompanying Notes to the General Purpose Financial Statements

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

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

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>						
Intergovernmental	\$913,614	\$912,763	(\$851)	\$11,104	\$12,104	\$1,000
Interest	26,500	30,816	4,316	0	0	0
Tuition and Fees	200,348	172,297	(28,051)	0	0	0
Extracurricular Activities	700	5,041	4,341	39,717	38,572	(1,145)
Gifts and Donations	2,700	5,220	2,520	7,000	8,233	1,233
Income Tax	247,943	253,758	5,815	0	0	0
Property & Other Local Taxes	680,331	747,267	66,936	0	0	0
Miscellaneous	6,300	7,435	1,135	0	0	0
<b>Total Revenues</b>	<b>2,078,436</b>	<b>2,134,597</b>	<b>56,161</b>	<b>57,821</b>	<b>58,909</b>	<b>1,088</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,253,146	1,159,644	93,502	7,311	3,021	4,290
Special	204,294	182,668	21,626	0	0	0
Support Services:						
Pupils	45,014	44,780	234	4,806	4,453	353
Instructional Staff	75,594	66,613	8,981	2,118	2,118	0
Board of Education	4,028	3,971	57	0	0	0
Administration	239,002	220,745	18,257	0	0	0
Fiscal	73,608	66,906	6,702	0	0	0
Business	688	683	5	0	0	0
Operation and Maintenance of Plant	274,829	237,026	37,803	0	0	0
Pupil Transportation	119,050	106,129	12,921	7,300	6,840	460
Central	8,970	7,243	1,727	4,625	4,614	11
Non-Instructional Services	5,981	3,259	2,722	0	0	0
Extracurricular Activities	66,097	62,997	3,100	39,563	38,440	1,123
Capital Outlay	100	20	80	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>2,370,401</b>	<b>2,162,684</b>	<b>207,717</b>	<b>65,723</b>	<b>59,486</b>	<b>6,237</b>
Excess of Revenues Over (Under) Expenditures	(291,965)	(28,087)	263,878	(7,902)	(577)	7,325
<b>Other Financing Sources &amp; Uses</b>						
Operating Transfers In	0	1,380	1,380	0	0	0
Refund of Prior Year Expenditures	0	409	409	1,380	1,380	0
Refund of Prior Year Receipts	(770)	0	(770)	0	0	0
Operating Transfers Out	0	0	0	(1,380)	(1,380)	0
Other Financing Uses	(1,058)	0	(1,058)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,828)</b>	<b>1,789</b>	<b>(39)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Rev Over (Under) Exp & Other Financing Sources (Uses)	(293,793)	(26,298)	263,839	(7,902)	(577)	7,325
Fund Balances at Beginning of Year	320,556	320,556	0	8,259	8,259	0
Prior Year Encumbrances Appropriated	21,894	21,894	0	755	755	0
<b>Fund Balances at End of Year</b>	<b>\$48,657</b>	<b>\$316,152</b>	<b>\$263,839</b>	<b>\$1,112</b>	<b>\$8,437</b>	<b>\$7,325</b>

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			EXPENDABLE TRUST FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$5,947	\$6,674	\$727	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	194	194
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	25,012	25,299	287
0	0	0	0	0	0	0	0	0
64,499	70,126	5,627	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>70,446</u>	<u>76,800</u>	<u>6,354</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,012</u>	<u>25,493</u>	<u>481</u>
0	0	0	2,367	2,245	122	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	10,253	10,253	0	0	0	0
0	0	0	0	0	0	0	0	0
2,500	500	2,000	0	0	0	0	0	0
4,000	1,599	2,401	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	60,000	0	60,000	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	25,814	25,812	2
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
40,000	30,000	10,000	0	0	0	0	0	0
30,000	16,875	13,125	0	0	0	0	0	0
<u>76,500</u>	<u>48,974</u>	<u>27,526</u>	<u>72,620</u>	<u>12,498</u>	<u>60,122</u>	<u>25,814</u>	<u>25,812</u>	<u>2</u>
(6,054)	27,826	33,880	(72,620)	(12,498)	60,122	(802)	(319)	483
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(6,054)	27,826	33,880	(72,620)	(12,498)	60,122	(802)	(319)	483
163,674	163,674	0	72,620	72,620	0	6,239	6,239	0
0	0	0	0	0	0	0	0	0
<u>\$157,620</u>	<u>\$191,500</u>	<u>\$33,880</u>	<u>\$0</u>	<u>\$60,122</u>	<u>\$60,122</u>	<u>\$5,437</u>	<u>\$5,920</u>	<u>\$483</u>

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
<b>Operating Revenues:</b>			
Sales	\$73,161	\$0	\$73,161
Interest	0	418	418
Contributions and Donations	0	76	76
Total Operating Revenue	<u>73,161</u>	<u>494</u>	<u>73,655</u>
<b>Operating Expenses:</b>			
Salaries	46,120	0	46,120
Fringe Benefits	10,596	0	10,596
Purchased Services	5,269	0	5,269
Cost of Sales	40,966	0	40,966
Depreciation	183	0	183
Other	111	400	511
Total Operating Expenses	<u>103,245</u>	<u>400</u>	<u>103,645</u>
Operating Income (Loss)	<u>(30,084)</u>	<u>94</u>	<u>(29,990)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	9,076	0	9,076
Interest	723	0	723
Federal and State Subsidies	15,578	0	15,578
Total Non-Operating Revenues (Expenses)	<u>25,377</u>	<u>0</u>	<u>25,377</u>
Net Income (Loss)	(4,707)	94	(4,613)
Retained Earnings/Fund Balance at Beginning of Year	<u>14,465</u>	<u>8,167</u>	<u>22,632</u>
<b>Retained Earnings/Fund Balance at End of Year</b>	<u><u>\$9,758</u></u>	<u><u>\$8,261</u></u>	<u><u>\$18,019</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	PROPRIETARY FUND TYPE	FUDICIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
<u><i>Increase (Decrease) in Cash and Cash Equivalents:</i></u>	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$72,863	\$0	\$72,863
Cash Received from Contributions and Donations	0	76	76
Cash Payments for Employee Services and Benefits	(56,340)	0	(56,340)
Cash Payments to Suppliers for Goods and Services	(37,124)	0	(37,124)
Other Operating Expenses	(111)	(400)	(511)
Net Cash Used In Operating Activities	<u>(20,712)</u>	<u>(324)</u>	<u>(21,036)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Federal and State Subsidies	15,522	0	15,522
Net Cash Provided By Noncapital Financing Activities	<u>15,522</u>	<u>0</u>	<u>15,522</u>
<u>Cash Flows from Investing Activities:</u>			
Interest	723	239	962
Net Increase in Cash and Cash Equivalents	(4,467)	(85)	(4,552)
Cash and Cash Equivalents at Beginning of Year	26,355	8,103	34,458
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$21,888</u></b>	<b><u>\$8,018</u></b>	<b><u>\$29,906</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:</b>			
Operating Income (Loss)	(30,084)	94	(29,990)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	183	0	183
Donated Commodities Received	9,076	0	9,076
Nonexpendable Trust Fund Interest	0	(418)	(418)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(298)	0	(298)
Decrease in Supplies Inventory	25	0	25
Decrease in Inventory Held for Resale	11	0	11
Decrease in Accrued Salaries Payable	(1,701)	0	(1,701)
Increase in Intergovernmental Payable	1,942	0	1,942
Increase in Compensated Absences Payable	134	0	134
<b>Net Cash Used In Operating Activities</b>	<b><u>(\$20,712)</u></b>	<b><u>(\$324)</u></b>	<b><u>(\$21,036)</u></b>
<b>Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet</b>			
Cash and Cash Equivalents-All Fiduciary Funds		\$44,769	
Cash and Cash Equivalents-Expendable Trust and Agency Fund		<u>(36,751)</u>	
<b>Cash and Cash Equivalents-Nonexpendable Trust Fund</b>		<b><u>\$8,018</u></b>	

See Accompanying Notes to the General Purpose Financial Statements

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS - BUDGET (NON GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	PROPRIETARY FUND TYPE			FIDUCIARY FUND TYPE		
	ENTERPRISE FUND			NON EXPENDABLE TRUST FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Operating Revenues:</b>						
Sales	\$71,500	\$72,863	\$1,363	\$0	\$0	\$0
Interest	700	723	23	400	239	(161)
Contributions and Donations	0	0	0	50	76	26
Federal and State Subsidies	16,400	15,522	(878)			0
Total Operating Revenues	<u>88,600</u>	<u>89,108</u>	<u>508</u>	<u>450</u>	<u>315</u>	<u>(135)</u>
<b>Operating Expenses:</b>						
Salaries	49,600	47,687	1,913	0	0	0
Fringe Benefits	9,250	8,653	597	0	0	0
Purchased Services	5,110	5,365	(255)	0	0	0
Materials and Supplies	42,600	31,954	10,646	0	0	0
Capital Outlay	3,000	0	3,000	0	0	0
Other	500	111	389	400	400	0
Total Operating Expenses	<u>110,060</u>	<u>93,770</u>	<u>16,290</u>	<u>400</u>	<u>400</u>	<u>0</u>
Excess of Revenues Over (Under)						
Expenses	(21,460)	(4,662)	16,798	50	(85)	(135)
Fund Equity at Beginning of Year	26,145	26,145	0	8,103	8,103	0
Prior Year Encumbrances Appropriated	210	210	0	0	0	0
<b>Fund Equity at End of Year</b>	<u>\$4,895</u>	<u>\$21,693</u>	<u>\$16,798</u>	<u>\$8,153</u>	<u>\$8,018</u>	<u>(\$135)</u>

See Accompanying Notes to the General Purpose Financial Statements



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

Russia Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state and/or federal agencies. This Board controls the School District's instructional/support facilities staffed by 20 non-certificated employees, 31 certificated teaching personnel and 2 administrative employees to provide services to 409 students and other community members.

The School District was established in 1862 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 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 School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District is the 605th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It currently operates one instructional building.

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

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

***A. Reporting Entity***

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Russia Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes for the organization. The School District does not have any component units.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

***A. Reporting Entity (Continued)***

The School District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Council (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), and the Shelby County Local Professional Development Consortium, which are defined as jointly governed organizations. The School District is also associated with the Ohio School Boards Association Workers Compensation Group Rating Plan and the Shelby County Schools Consortium, which are classified as insurance purchasing pools. These organizations are presented in Notes 14 and 15 to the combined financial statements.

***B. Basis Of Presentation - Fund Accounting***

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

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

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

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

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

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

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

***B. Basis of Presentation - Fund Accounting (Continued)***

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

***Proprietary Fund Type*** Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

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

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

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

***General Long-Term Obligations Account Group*** This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

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

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**(Continued)**

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

***C. Measurement Focus and Basis of Accounting (Continued)***

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, investment earnings, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

***D. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The primary level of budgetary control is within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

***Estimated Resources*** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

***Appropriations*** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, three supplemental appropriations were enacted; however, none of these amendments were significant.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

***D. Budgetary Process (Continued)***

***Appropriations (Continued)*** The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

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

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

***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During fiscal year 2000, investments were limited to certificates of deposit and repurchase agreements. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$33,614, which includes \$15,086 assigned from other School District funds. The expendable trust, enterprise, and non-expendable funds also received interest of \$105, \$723 and \$418 respectively.

In addition, the balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents." This represents deposits.

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

***F. Inventory***

Inventories of governmental funds are stated at cost while inventories of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

***F. Inventory (Continued)***

recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consist of donated food, purchased food, and non-food items and are expensed when used.

***G. Prepaid Items***

Russia Local School District has elected not to report prepaids in governmental fund types. There were no material prepaids in proprietary fund .

***H. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

***I. Fixed Assets and Depreciation***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$300 dollars. The School District does not have any infrastructure.

Improvements are capitalized. 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.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of 10 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

***J. Intergovernmental Revenues***

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

***J. Intergovernmental Revenues (Continued)***

Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

***General Fund***

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allowance

**Non-Reimbursable Grants**

***Special Revenue Funds***

- Education Management Information Systems
- Title VI-B (through ESC)
- Title VI
- Title VI-R
- Professional Development Block Grant
- Eisenhower (through ESC)
- Preschool (through ESC)
- Continuous Improvement Grant

***Capital Projects***

- Schoolnet Plus
- Video Distance Learning Grant

**Reimbursable Grants**

***General Fund***

- Driver Education

***Special Revenue Fund***

- E-Rate

***Proprietary Funds***

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements for governmental fund types amounted to approximately 42% percent of the School District's governmental fund revenue during the 2000 fiscal year.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

***K. Compensated Absences (Continued)***

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

***L. Accrued Liabilities and Long-Term Obligations***

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension obligations, 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 considered not to have been paid using current available financial resources. Bonds, are reported as a liability of the general long-term obligations account group until due.

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

***M. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***N. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, property taxes, endowments, budget stabilization, and school bus purchases.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

***N. Fund Balance Reserves (Continued)***

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

***O. Estimates***

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

***P. Total Columns on General Purpose Financial Statements***

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Russia Local School District are included in the special revenue funds for GAAP reporting purposes.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Trust Funds					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts
GAAP Basis	(\$983)	\$240	\$26,736	(\$12,498)	(\$408)
Revenue Accruals	2,051	1,651	1,090	0	89
Expenditure Accruals	287	(101)	0	0	0
Non Budgeted Funds	0	(1,387)	0	0	0
Encumbrances	(27,653)	(980)	0	0	0
Budget Basis	(\$26,298)	(\$577)	\$27,826	(\$12,498)	(\$319)

Net Income (Loss)/Excess of Revenues Under Expenses Proprietary Fund Type and Nonexpendable Trust Fund		
	Enterprise	Nonexpendable Trust
GAAP Basis	(\$4,707)	\$94
Revenue Accruals	(354)	(179)
Expense Accruals	447	0
Depreciation Expense	183	0
Material and Supplies Inventory	(25)	0
Inventory Held for Resale	(11)	0
Encumbrances	(195)	0
Budget Basis	(\$4,662)	(\$85)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board 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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

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

At fiscal year end, the School District had \$1,075 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$3,741 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$403,858 and the bank balance was \$417,672. Of the bank balance, \$100,000 was covered by federal depository insurance and \$317,672 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School 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 School District's name.

	Category 1	Category 3	Fair Value	Carrying Value
Repurchase Agreements	\$0	\$266,568	\$266,568	\$266,568
Certificates of Deposit	9,500	0	9,500	9,500
Total	<u>\$9,500</u>	<u>\$266,568</u>	<u>\$276,068</u>	<u>\$276,068</u>

The classification of cash and cash equivalents on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$684,742	\$0
Cash on Hand	(1,075)	0
Cash and Cash Equivalents with Fiscal Agent	(3,741)	0
Certificate of Deposit	(9,500)	9,500
GASB Statement 3	<u>\$670,426</u>	<u>\$9,500</u>

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**(Continued)**

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

Real property taxes for 2000 are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. Public utility property taxes for 2000 became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

Tangible personal property taxes for 2000 are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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.

The School District receives property taxes from Shelby and Darke Counties. The Shelby County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$25,404 in the general fund, and \$2,859 in the debt service fund.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

**NOTE 5 - PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Ag/Residential and Other Real Estate	\$20,847,220	69.50%	\$21,476,300	67.21%
Public Utility (Personal)	2,845,340	9.48%	2,880,350	9.01%
Tang Personal Property	6,306,840	21.02%	7,599,740	23.78%
Total Assessed Value	\$29,999,400	100.00%	\$31,956,390	100.00%
 Tax rate per \$100 of assessed valuation		33.2		33.2

**NOTE 6 - INCOME TAX**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000, consisted of both property and income taxes, intergovernmental, accrued interest and accounts receivable (State and Regional Tournament payments, book bills, vending receipts, and reimbursements.) All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Accounts receivable at June 30 were \$777 consisting of State Track Meet receipts, Coke sales, book bills, and reimbursements from, VHS, and Senior Citizen meals.

Intergovernmental receivables at June 30 were \$1,241 consisting of Drivers Education Reimbursement, reimbursement from Upper Valley JVS, and Special Milk Reimbursement.

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$12,081
Accumulated Depreciation	(11,230)
Net Fixed Assets	\$ 851

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**NOTE 8 - FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/00</u>
Land, Buildings and Improvements	\$1,462,640	\$ 0	\$ 0	\$1,462,640
Furniture, Fixtures and Equipment	516,904	53,634	6,441	564,097
Vehicles	215,086	0	0	215,086
<b>Totals</b>	<b>\$2,194,630</b>	<b>\$53,634</b>	<b>\$6,441</b>	<b>\$2,241,823</b>

**NOTE 9 - RISK MANAGEMENT**

The School District contracted with Nationwide Mutual Insurance Co. for Property Insurance.

Coverages provided by Nationwide Mutual Insurance Company are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$6,143,000
Inland Marine Coverage (\$250 deductible)	173,433
Boiler and Machinery (\$250 deductible)	No Limit

The School District contracted with Nationwide Mutual Insurance Co. for Fleet Insurance. Coverages provided are as follows:

Automobile Liability Combined Single Limit (\$100 deductible)	\$2,000,000
Uninsured Motorist (\$100 deductible)	500,000
Medical Payments	5,000

The School District contracted with Nationwide Mutual Ins. Co. for General Liability Insurance. Coverages provided were as follows:

General Liability Per occurrence	\$1,000,000
Fire Damage Limit (any one fire)	100,000
Medical Expense Limit (any one person)	5,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from prior year.

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Grating Program (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and



**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**(Continued)**

**NOTE 9 - RISK MANAGEMENT (Continued)**

representation with other participants in the Plan. 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 Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan.

A participant will then either receive money from or be required to contributed to the "Equity Pooling Fund". This "equity pooling fund "arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

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

Plan members are required to contribute 9 percent of their annual covered salary and the Russia Local School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS'

Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$12,722, \$19,761 and \$28,800, respectively; 21.16 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$10,030 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

***B. State Teachers Retirement System***

The Russia Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

***B. State Teachers Retirement System (Continued)***

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$68,559, \$58,338 and \$99,006, respectively; 83.36 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$11,405 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$91,411 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for the partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$28,268.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

***A. Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 195 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 36 days for classified and certified employees

***B. Health Care Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company. The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross, Blue Shield. Employees electing Option I share the cost of the monthly premium with the Board. Employees electing Option II and Option III have the premium paid in full by the Board. Dental insurance is provided by the School District at no additional cost to employees who select Option III of the Health Insurance plan through Anthem.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
Gym Addition Bond 9.375%	\$195,000	\$0	\$30,000	\$165,000
Intergovernmental Payable	23,274	20,377	23,274	20,377
Compensated Absences	95,067	41,664	5,494	131,237
<b>Total Long Term Obligation</b>	<b>\$313,341</b>	<b>\$62,041</b>	<b>\$58,768</b>	<b>\$316,614</b>

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS (Continued)**

*Russia Local School Gym General Obligation Bonds* - On November 1, 1985, Russia Local School District issued \$585,000 in voted general obligation bonds for the purpose of an addition and improvement to the junior high school gymnasium. The bonds were issued for a nineteen year period with final maturity at December 1, 2004, with an interest rate of 9.375%. The bond will be paid from the Debt Service Fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries and benefits are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$2,905,426 with an unvoted debt margin of \$31,956 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	Interest	Total
2001	\$35,000	\$13,828	\$48,828
2002	30,000	10,781	40,781
2003	35,000	7,734	42,734
2004	30,000	4,688	34,688
2005	<u>35,000</u>	<u>1,641</u>	<u>36,641</u>
Total	<u>\$165,000</u>	<u>\$38,672</u>	<u>\$203,672</u>

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

*Western Ohio Computer Organization* - The Russia Local School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative from the fiscal agent. The School District paid WOCO \$10,754 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

*Southwestern Ohio Educational Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The School District paid SOEPC \$471 for membership during the fiscal year. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Horseman Road, Dayton, Ohio 45424.

*Southwestern Ohio Instructional Technology Association* - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets will be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 2000, the school district paid \$53,545 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Television Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

*Shelby County Local Professional Development Consortium* - The School District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the public school districts and the educational service center in Shelby County.

The executive committee consists of one teacher representative from each of the school districts and the educational service center, one superintendent elected by the superintendents, one principal elected by the principal, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. The School District paid the Consortium \$322 for services provided during fiscal year 2000. Financial information can be obtained from Louis Ivey, who serves as director at 129 E. Court St., Sidney, OH 45365.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

**NOTE 15 - INSURANCE PURCHASING POOLS**

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

*Shelby County Schools Consortium* - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Anthem Life Insurance Company of Indiana for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. In fiscal year 2000, Russia Local School District contributed \$136,068 which represents 6.58% of total contributions. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

**NOTE 16 - SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$828,192 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient," clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly....", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program. The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

**NOTE 16 - SCHOOL FUNDING COURT DECISION (Continued)**

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

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$26,635	\$26,635
Current Year Set-aside Requirement	48,298	48,298	16,099	112,695
Workers Compensation Refund Credit	(0)	(0)	(11,329)	(11,329)
Qualifying Disbursements	<u>(54,405)</u>	<u>(48,298)</u>	<u>0</u>	<u>(102,703)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ (6,107)</u>	<u>\$ 0</u>	<u>\$31,405</u>	<u>\$25,298</u>
Set-aside Reserve Balance as of June 30,2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$31,405</u>	\$31,405
Amount restricted for bus purchases				14,289
Total Restricted Assets				<u>\$45,694</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years.

**NOTE 18 - CONTINGENCIES**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

***B. Litigation***

There was no pending litigation against Russia Local School as of June 30, 2000.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	<b>GOVERNMENTAL FUND TYPES</b>		
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>
<b>Assets and Other Debits:</b>			
Equity in Pooled Cash & Cash Equivalents	\$308,518	\$9,013	\$163,674
Cash and Cash Equivalents:			
With Fiscal Agents	0	2,354	0
Investments	0	0	0
Receivables:			
Accounts	501	345	0
Intergovernmental	700	1,380	0
Accrued Interest	3,074	0	0
Income Tax	76,508	0	0
Property & Other Local Taxes	661,185	0	67,054
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	1,366	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equiv.	33,932	0	0
Fixed Assets:			
Buildings and Building Improvements	0	0	0
Furniture, Fixtures, and Equipment	0	0	0
Vehicles	0	0	0
Accumulated Depreciation:			
Furniture, Fixtures and Equipment	0	0	0
Other Debits:			
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0
Amount Provided from Gen Government Resources	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$1,085,784</b>	<b>\$13,092</b>	<b>\$230,728</b>
<b>Liabilities:</b>			
Accounts Payable	\$12,086	\$236	\$0
Accrued Wages	164,190	53	0
Compensated Absences Payable	14,883	0	0
Intergovernmental Payable	37,047	168	0
Deferred Revenue	619,216	0	63,105
Due to Students	0	0	0
General Obligation Bonds Payable	0	0	0
Total Liabilities	847,422	457	63,105
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	12,051	754	0
Reserved for Inventory	1,366	0	0
Reserved for Property Taxes	41,969	0	3,949
Reserved for Endowments	0	0	0
Reserved for Budget Stabilization	26,635	0	0
Reserved for School Bus Purchases	7,297	0	0
Unreserved Undesignated	149,044	11,881	163,674
Total Fund Equity and Other Credits	238,362	12,635	167,623
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$1,085,784</b>	<b>\$13,092</b>	<b>\$230,728</b>

See accompanying notes to the general purpose financial statements



CAPITAL PROJECTS	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM) ONLY)
	ENTERPRISE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$72,620	\$26,355	\$37,806	\$0	\$0	\$617,986
0	0	0	0	0	2,354
0	0	10,501	0	0	10,501
0	0	0	0	0	846
0	0	0	0	0	2,080
0	0	155	0	0	3,229
0	0	0	0	0	76,508
0	0	0	0	0	728,239
0	1,657	0	0	0	1,657
0	123	0	0	0	1,489
0	0	0	0	0	33,932
0	0	0	1,462,640	0	1,462,640
0	12,081	0	516,904	0	528,985
0	0	0	215,086	0	215,086
0	(11,047)	0	0	0	(11,047)
0	0	0	0	167,623	167,623
0	0	0	0	145,718	145,718
<u>\$72,620</u>	<u>\$29,169</u>	<u>\$48,462</u>	<u>\$2,194,630</u>	<u>\$313,341</u>	<u>\$3,987,826</u>
\$0	\$0	\$0	\$0	\$0	\$12,322
0	5,731	0	0	0	169,974
0	2,524	0	0	95,067	112,474
0	4,826	0	0	23,274	65,315
0	1,623	0	0	0	683,944
0	0	33,965	0	0	33,965
0	0	0	0	195,000	195,000
0	14,704	33,965	0	313,341	1,272,994
0	0	0	2,194,630	0	2,194,630
0	14,465	0	0	0	14,465
0	0	0	0	0	12,805
0	0	0	0	0	1,366
0	0	0	0	0	45,918
0	0	7,760	0	0	7,760
0	0	0	0	0	26,635
0	0	0	0	0	7,297
72,620	0	6,737	0	0	403,956
<u>72,620</u>	<u>14,465</u>	<u>14,497</u>	<u>2,194,630</u>	<u>0</u>	<u>2,714,832</u>
<u>\$72,620</u>	<u>\$29,169</u>	<u>\$48,462</u>	<u>\$2,194,630</u>	<u>\$313,341</u>	<u>\$3,987,826</u>

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RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
<b>Revenues:</b>						
Intergovernmental	\$923,589	\$42,768	\$6,164	\$50,232	\$0	\$1,022,753
Interest	28,554	0	0	0	158	28,712
Tuition and Fees	193,612	0	0	0	0	193,612
Extracurricular Activities	753	37,909	0	0	0	38,662
Gifts and Donations	5,625	9,505	0	0	19,443	34,573
Income Tax	248,554	0	0	0	0	248,554
Property & Other Local Taxes	718,129	0	67,138	0	0	785,267
Miscellaneous	13,922	0	0	0	0	13,922
<b>Total Revenues</b>	<b>2,132,738</b>	<b>90,182</b>	<b>73,302</b>	<b>50,232</b>	<b>19,601</b>	<b>2,366,055</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,134,585	7,365	0	36,612	0	1,178,562
Special	142,149	19,694	0	0	0	161,843
Support Services:						
Pupils	31,239	3,864	0	0	0	35,103
Instructional Staff	52,376	4,434	0	1,000	0	57,810
Board of Education	3,793	0	0	0	0	3,793
Administration	211,238	0	862	0	0	212,100
Fiscal	69,281	112	5,229	0	0	74,622
Business	626	0	0	0	0	626
Operation and Maintenance of Plant	234,379	0	0	0	0	234,379
Pupil Transportation	153,111	6,302	0	0	0	159,413
Central	3,566	4,569	0	0	0	8,135
Non-Instructional Services	10,192	0	0	0	19,769	29,961
Extracurricular Activities	52,321	34,709	0	0	0	87,030
Debt Service:						
Principal Retirement	0	0	35,000	0	0	35,000
Interest and Fiscal Charges	0	0	19,922	0	0	19,922
<b>Total Expenditures</b>	<b>2,098,856</b>	<b>81,049</b>	<b>61,013</b>	<b>37,612</b>	<b>19,769</b>	<b>2,298,299</b>
Excess of Revenues Over (Under) Expenditures	33,882	9,133	12,289	12,620	(168)	67,756
<b>Other Financing Sources and Uses:</b>						
Operating Transfers In	2,761	0	0	0	0	2,761
Operating Transfers Out	0	(2,761)	0	0	0	(2,761)
<b>Total Other Financing Sources (Uses)</b>	<b>2,761</b>	<b>(2,761)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues Over Exp and Other Financing Uses (Sources)	36,643	6,372	12,289	12,620	(168)	67,756
Fund Balances (Deficit) at Beginning of Year	202,098	6,263	155,334	60,000	6,498	430,193
Decrease in Inventory	(379)	0	0	0	0	(379)
<b>Fund Balances at End of Year</b>	<b>\$ 238,362</b>	<b>\$ 12,635</b>	<b>\$ 167,623</b>	<b>\$ 72,620</b>	<b>\$ 6,330</b>	<b>\$497,570</b>

See accompanying notes to the general purpose financial statements

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>						
Intergovernmental	\$984,232	\$923,189	(\$61,043)	\$46,106	\$46,106	\$0
Interest	30,500	26,736	(3,764)	0	0	0
Tuition and Fees	19,100	193,912	174,812	0	0	0
Extracurricular Activities	1,150	712	(438)	36,116	37,790	1,674
Gifts and Donations	3,000	5,625	2,625	10,100	9,505	(595)
Income Tax	238,500	239,559	1,059	0	0	0
Property & Other Local Taxes	685,064	691,766	6,702	0	0	0
Miscellaneous	4,500	13,922	9,422	0	0	0
<b>Total Revenues</b>	<b>1,966,046</b>	<b>2,095,421</b>	<b>129,375</b>	<b>92,322</b>	<b>93,401</b>	<b>1,079</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,186,359	1,127,959	58,400	11,690	7,365	4,325
Special	144,357	143,040	1,317	27,139	27,139	0
Support Services:						
Pupils	37,599	31,171	6,428	4,347	4,249	98
Instructional Staff	57,266	53,125	4,141	2,176	2,176	0
Board of Education	4,533	3,888	645	0	0	0
Administration	224,802	210,870	13,932	0	0	0
Fiscal	73,944	69,140	4,804	100	100	0
Business	800	626	174	0	0	0
Operation and Maintenance of Plant	278,544	246,070	32,474	0	0	0
Pupil Transportation	163,468	151,972	11,496	7,300	6,269	1,031
Central	4,591	3,618	973	4,569	4,569	0
Non-Instructional Services	10,207	10,192	15	0	0	0
Extracurricular Activities	59,277	52,360	6,917	36,155	34,762	1,393
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>2,245,747</b>	<b>2,104,031</b>	<b>141,716</b>	<b>93,476</b>	<b>86,629</b>	<b>6,847</b>
Excess of Revenues Over (Under) Expenditures	(279,701)	(8,610)	271,091	(1,154)	6,772	7,926
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	0	2,871	2,871	0	0	0
Refund of Prior Year Receipts	(700)	(700)	0	0	0	0
Other Financing Uses	(34,539)	0	34,539	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(35,239)</b>	<b>2,171</b>	<b>37,410</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Rev & Other over Exp & Other Other Financing Sources (Uses)	(314,940)	(6,439)	308,501	(1,154)	6,772	7,926
Fund Balances at Beginning of Year	309,467	309,467	0	1,220	1,220	0
Prior Year Encumbrances Appropriated	17,528	17,528	0	266	266	0
<b>Fund Balances at End of Year</b>	<b>\$12,055</b>	<b>\$320,556</b>	<b>\$308,501</b>	<b>\$332</b>	<b>\$8,258</b>	<b>\$7,926</b>

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			EXPENDABLE TRUST FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$6,064	\$6,164	\$100	\$50,232	\$50,232	\$0	\$0	\$0	\$0
0	0	0	0	0	0	146	105	(41)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	18,408	19,443	1,035
0	0	0	0	0	0	0	0	0
63,948	64,896	948	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>70,012</u>	<u>71,060</u>	<u>1,048</u>	<u>50,232</u>	<u>50,232</u>	<u>0</u>	<u>18,554</u>	<u>19,548</u>	<u>994</u>
0	0	0	38,884	36,612	2,272	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,000	1,000	0	0	0	0
0	0	0	0	0	0	0	0	0
2,000	862	1,138	0	0	0	0	0	0
6,750	5,229	1,521	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	30,000	0	30,000	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	20,700	19,769	931
0	0	0	0	0	0	0	0	0
35,000	35,000	0	0	0	0	0	0	0
28,000	19,922	8,078	0	0	0	0	0	0
<u>71,750</u>	<u>61,013</u>	<u>10,737</u>	<u>69,884</u>	<u>37,612</u>	<u>32,272</u>	<u>20,700</u>	<u>19,769</u>	<u>931</u>
(1,738)	10,047	11,785	(19,652)	12,620	32,272	(2,146)	(221)	1,925
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(1,738)	10,047	11,785	(19,652)	12,620	32,272	(2,146)	(221)	1,925
153,627	153,627	0	60,000	60,000	0	6,459	6,459	0
0	0	0	0	0	0	0	0	0
<u>\$151,889</u>	<u>\$163,674</u>	<u>\$11,785</u>	<u>\$40,348</u>	<u>\$72,620</u>	<u>\$32,272</u>	<u>\$4,313</u>	<u>\$6,238</u>	<u>\$1,925</u>

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS/ FUND BALANCE  
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>ENTERPRISE</u>	<u>NONEXPENDABLE TRUST</u>	
<b>Operating Revenues:</b>			
Sales	\$74,106	\$0	\$74,106
Interest	0	322	322
Contributions and Donations	0	333	333
Total Operating Revenue	<u>74,106</u>	<u>655</u>	<u>74,761</u>
<b>Operating Expenses:</b>			
Salaries	42,943	0	42,943
Fringe Benefits	7,528	0	7,528
Purchased Services	2,598	0	2,598
Cost of Sales	40,813	0	40,813
Depreciation	183	0	183
Other	988	400	1,388
Total Operating Expenses	<u>95,053</u>	<u>400</u>	<u>95,453</u>
Operating Income (Loss)	<u>(20,947)</u>	<u>255</u>	<u>(20,692)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	9,667	0	9,667
Interest	329	0	329
Federal and State Subsidies	16,560	0	16,560
Total Non-Operating Revenues	<u>26,556</u>	<u>0</u>	<u>26,556</u>
Net Income	5,609	255	5,864
Retained Earnings/Fund Balance at Beginning of Year	<u>8,856</u>	<u>7,912</u>	<u>16,768</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ 14,465</u>	<u>\$ 8,167</u>	<u>\$ 22,632</u>

*See Accompanying Notes to the General Purpose Financial Statements*

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY AND SIMILAR TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	PROPRIETARY FUND TYPE	FUDICIARY FUND TYPE	TOTAL
	ENTERPRISE	NONEXPENDABLE TRUST	(MEMORANDUM ONLY)
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$74,106	\$0	\$74,106
Cash Received from Contributions and Donations	0	333	333
Cash Payments for Employee Services and Benefits	(50,584)	0	(50,584)
Cash Payments to Suppliers for Goods and Services	(33,860)		(33,860)
Other Operating Expenses	(988)	(400)	(1,388)
Net Cash Used In Operating Activities	(11,326)	(67)	(11,393)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Federal and State Subsidies	16,560	0	16,560
Net Cash Provided By Noncapital Financing Activities	16,560	0	16,560
<u>Cash Flows from Investing Activities:</u>			
Interest	329	326	655
Net Increase in Cash and Cash Equivalents	5,563	259	5,822
Cash and Cash Equivalents at Beginning of Year	20,792	7,844	28,636
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$26,355</b>	<b>\$8,103</b>	<b>\$34,458</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:</b>			
Operating Income (Loss)	(\$20,947)	\$255	(\$20,692)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	183	0	183
Donated Commodities Received	9,667	0	9,667
Nonexpendable Trust Fund Interest	0	(322)	(322)
Changes in Assets and Liabilities:			
Decrease in Supplies Inventory	6	0	6
Decrease in Inventory Held for Resale	49	0	49
Decrease in Accounts Payable	(171)	0	(171)
Increase in Accrued Salaries Payable	235	0	235
Decrease in Intergovernmental Payable	(454)	0	(454)
Increase in Compensated Absences Payable	106	0	106
<b>Net Cash Used In Operating Activities</b>	<b>(\$11,326)</b>	<b>(\$67)</b>	<b>(\$11,393)</b>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$37,806	
Cash and Cash Equivalents-Expendable Trust and Agency Fund		(29,703)	
Cash and Cash Equivalents-Nonexpendable Trust Fund		\$8,103	

See Accompanying Notes to the General Purpose Financial Statements

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS - BUDGET (NON GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	PROPRIETARY FUND TYPE			FIDUCIARY FUND TYPE		
	ENTERPRISE FUND			NON EXPENDABLE TRUST FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Operating Revenues:</b>						
Sales	\$73,668	\$74,106	\$438	\$0	\$0	\$0
Interest	0	329	329	402	326	(76)
Contributions and Donations	0	0	0	0	333	333
Federal and State Subsidies	17,270	16,560	(710)	0	0	0
Total Operating Revenues	<u>90,938</u>	<u>90,995</u>	<u>57</u>	<u>402</u>	<u>659</u>	<u>257</u>
<b>Operating Expenses:</b>						
Salaries	45,100	42,602	2,498	0	0	0
Fringe Benefits	9,250	7,982	1,268	0	0	0
Purchased Services	5,550	2,879	2,671	0	0	0
Materials and Supplies	40,100	31,151	8,949	0	0	0
Capital Outlay	1,000	40	960	0	0	0
Other	4,400	988	3,412	400	400	0
Total Operating Expenses	<u>105,400</u>	<u>85,642</u>	<u>19,758</u>	<u>400</u>	<u>400</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses	(14,462)	5,353	19,815	2	259	257
Fund Equity at Beginning of Year	20,503	20,503	0	7,844	7,844	0
Prior Year Encumbrances Appropriated	289	289	0	0	0	0
Fund Equity at End of Year	<u>\$6,330</u>	<u>\$26,145</u>	<u>\$19,815</u>	<u>\$7,846</u>	<u>\$8,103</u>	<u>\$257</u>

See Accompanying Notes to the General Purpose Financial Statements



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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

Russia Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state and/or federal agencies. This Board controls the School District's instructional/support facilities staffed by 19 non-certificated employees, 29 certificated teaching personnel and 2 administrative employees to provide services to 424 students and other community members.

The School District was established in 1862 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 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 School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District is the 605th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It currently operates one instructional building.

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

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

***A. Reporting Entity***

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Russia Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

***A. Reporting Entity (Continued)***

The School District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Council (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), Shelby County Local Professional Development Consortium, jointly governed organizations. The School District is also associated with the Ohio School Boards Association Workers Compensation Group Rating Plan and the Shelby County Schools Consortium, which are classified as insurance purchasing pools. These organizations are presented in Notes 14 and 15 to the combined financial statements.

***B. Basis Of Presentation - Fund Accounting***

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

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

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

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

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

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

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

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

***B. Basis of Presentation - Fund Accounting (Continued)***

***Proprietary Fund Type*** Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

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

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

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

***General Long-Term Obligations Account Group*** This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

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

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

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

***C. Measurement Focus and Basis of Accounting (Continued)***

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, investment earnings, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

***D. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

***D. Budgetary Process (Continued)***

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

***Estimated Resources*** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

***Appropriations*** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, six supplemental appropriations were enacted, however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

***D. Budgetary Process (Continued)***

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

***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During fiscal year 1999, investments were limited to certificates of deposit. All investments of the School District had a maturity of five years or less. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$28,554, which includes \$13,619 assigned from other School District funds. The expendable trust, enterprise, and nonexpendable trust funds also received interest of \$158, \$329 and \$322 respectively.

In addition, the balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents." This represents deposits.

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

***F. Inventory***

Inventories of governmental funds are stated at cost while inventories of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

***G. Prepaid Items***

Russia Local School District has elected not to report prepaids in governmental fund types. There were no material prepaids in proprietary fund .

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

***H. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

***I. Fixed Assets and Depreciation***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$300 dollars. The School District does not have any infrastructure.

Improvements are capitalized. 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.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of 10 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

***J. Intergovernmental Revenues***

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

**Entitlements**

***General Fund***

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allowance

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

***J. Intergovernmental Revenues (Continued)***

**Non-Reimbursable Grants**

***Special Revenue Funds***

- Education Management Information Systems
- Title VI-B
- Title I
- Title VI
- Professional Development Block Grant
- Eisenhower (through ESC)
- Preschool (through ESC)
- Continuous Improvement Grant
- Instructional Material Subsidy

***Capital Projects***

- Schoolnet Plus
- Video Distance Learning Grant

**Reimbursable Grants**

***General Fund***

- Driver Education

***Special Revenue Fund***

- E-Rate

***Proprietary Funds***

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements for governmental fund types amounted to approximately 44% percent of the School District's governmental fund revenue during the 1999 fiscal year.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

***L. Accrued Liabilities and Long-Term Obligations***

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension obligations, 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 considered not to have been paid using current available financial resources. Bonds, are reported as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in the appropriate funds.

***M. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***N. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, endowments, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

***O. Estimates***

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

***P. Total Columns on General Purpose Financial Statements***

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Bases) All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Russia Local School District are included in the special revenue funds for GAAP reporting purposes.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts
GAAP Basis	\$36,643	\$6,372	\$12,289	\$12,620	(\$168)
Revenue Accruals	(37,207)	6,207	(2,242)	0	(53)
Expenditure Accruals	16,019	(6,190)	0	0	0
Non Budgeted Funds	0	1,138	0	0	0
Encumbrances	(21,894)	(755)	0	0	0
Budget Basis	<u>(\$6,439)</u>	<u>\$6,772</u>	<u>\$10,047</u>	<u>\$12,620</u>	<u>(\$221)</u>

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

	Net Income/Excess of Revenues Over (Under) Expenses Proprietary Fund Type and Nonexpendable Trust Fund	
	Enterprise	Nonexpendable Trust
GAAP Basis	\$5,609	\$255
Revenue Accruals	0	4
Expense Accruals	(174)	0
Depreciation Expense	183	0
Material and Supplies Inventory	(6)	0
Inventory Held for Resale	(49)	0
Encumbrances Outstanding at Year End (Budget Basis)	(210)	0
Budget Basis	\$5,353	\$259

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality including but not limited to, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

At fiscal year end, the School District had \$1,075 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$2,354 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

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

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$650,843 and the bank balance was \$663,936. Of the bank balance, \$100,000 was covered by federal depository insurance and \$563,936 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School 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 School District's name.

	Category 1	Fair Value	Carrying Value
Certificates of Deposit	\$10,501	\$10,501	\$10,501

The classification of cash and cash equivalents on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$664,773	\$0
Cash on Hand	(1,075)	0
Cash and Cash Equivalents With Fiscal Agent	(2,354)	0
Certificate of Deposits	(10,501)	10,501
GASB Statement 3	\$650,843	\$10,501

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 5 - PROPERTY TAXES (Continued)**

Real property taxes for 1999 are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. Public utility property taxes for 1999 became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

Tangible personal property taxes for 1999 are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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.

The School District receives property taxes from Shelby and Darke Counties. The Shelby County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$41,969 in the general fund, and \$3,949 in the debt service fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Ag/Residential and Other Real Estate	\$19,239,090	66.73%	\$20,847,220	69.50%
Public Utility (Personal)	2,877,100	9.98%	2,845,340	9.48%
Tang Personal Property	<u>6,716,015</u>	<u>23.29%</u>	<u>6,306,840</u>	<u>21.02%</u>
Total Assessed Value	<u>\$28,832,205</u>	<u>100.00%</u>	<u>\$29,999,400</u>	<u>100.00%</u>
Tax rate per \$100 of assessed valuation		33.2		33.2

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 5 - PROPERTY TAXES (Continued)**

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the Title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$41,969 in the general fund, and \$3,949 in the debt service fund.

**NOTE 6 - INCOME TAX**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, intergovernmental, accrued interest and accounts receivable (State and Regional Tournament payments, book bills, and vending receipts.) All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Accounts receivable at June 30 were \$846 consisting of State Track Meet receipts, Coke sales, and book bills.

Intergovernmental receivables at June 30 were \$2,080 consisting of Drivers Education Reimbursement and E-Rate Reimbursement.

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$12,081
Accumulated Depreciation	<u>(11,047)</u>
Net Fixed Assets	<u>\$ 1,034</u>

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 8 - FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land, Buildings and Improvements	\$1,462,640	\$0	\$0	\$1,462,640
Furniture, Fixtures and Equipment	436,094	94,626	13,816	516,904
Vehicles	178,958	60,007	23,879	215,086
<b>Totals</b>	<b><u>\$2,077,692</u></b>	<b><u>\$154,633</u></b>	<b><u>\$37,695</u></b>	<b><u>\$2,194,630</u></b>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. From July 1, 1999 through February 1, 1999, the School District contracted with Republic Franklin Insurance Co., a member of Utica National Insurance Group for Property Insurance.

Coverages provided by Republic Franklin are as follows:

Building and Contents - replacement cost (\$250 deductible)	\$5,000,735
Inland Marine Coverage (\$100 deductible)	260,446
Boiler and Machinery (\$250 deductible)	No limit

From February 2, 1999 through June 30, 1999, the School District Contracted with Nationwide Mutual Insurance Co. for Property Insurance.

Coverages provided by Nationwide Mutual Insurance Company are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$5,906,800
Inland Marine Coverage (\$250 deductible)	333,173
Boiler and Machinery (\$250 deductible)	No Limit

The School District contracted with Nationwide Mutual Insurance Co. for Fleet Insurance. Coverages provided are as follows:

Automobile Liability Combined Single Limit (\$100 deductible)	\$2,000,000
Uninsured Motorist (\$100 deductible)	500,000
Medical Payments	5,000



**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 9 - RISK MANAGEMENT (Continued)**

The School District contracted with Nationwide Mutual Ins. Co. for General Liability Insurance. Coverages provided were as follows:

General Liability Per occurrence	\$1,000,000
Fire Damage Limit (any one fire)	100,000
Medical Expense Limit (any one person)	5,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from prior year.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Grating Program (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

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

Plan members are required to contribute 9 percent of their annual covered salary and the Russia Local School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

***A. School Employees Retirement System (Continued)***

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$19,761, 28,800 and \$31,559, respectively; 39.41 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$11,972 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

***B. State Teachers Retirement System***

The Russia Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$58,338, \$99,006 and \$112,437, respectively; 80.51 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$11,373 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll.

For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, and increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$77,783 for fiscal year 1999.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for the partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$24,938.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 12.5 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

***A. Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 190 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 36 days for classified and certified employees.

***B. Health Care Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company. The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross, Blue Shield. Employees electing Option I share the cost of the monthly premium with the Board. Employees electing Option II and Option III have the premium paid in full by the Board. Dental insurance is provided by the School District at no additional cost to employees who select Option III of the Health Insurance plan through Anthem.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding <u>6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/99</u>
Gym Addition Bond 9.375%	\$230,000	\$0	\$35,000	\$195,000
Intergovernmental Payable	19,167	23,274	19,167	23,274
Compensated Absences	<u>91,791</u>	<u>19,794</u>	<u>16,518</u>	<u>95,067</u>
Total Long Term Obligation	<u>\$340,958</u>	<u>\$43,068</u>	<u>\$70,685</u>	<u>\$313,341</u>

*Russia Local School Gym General Obligation Bonds* - On November 1, 1985, Russia Local School District issued \$585,000 in voted general obligation bonds for the purpose of an addition and improvement to the junior high school gymnasium. The bonds were issued for a nineteen year period with final maturity at December 1, 2004, with an interest rate of 9.375%. The bond will be paid from the Debt Service Fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries and benefits are paid.

The School District's overall legal debt margin was \$2,672,569 with an unvoted debt margin of \$29,999 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$30,000	\$16,875	\$46,875
2001	35,000	13,828	48,828
2002	30,000	10,781	40,781
2003	35,000	7,734	42,734
2004	30,000	4,688	34,688
2005	<u>35,000</u>	<u>1,641</u>	<u>36,641</u>
Total	<u>\$195,000</u>	<u>\$55,547</u>	<u>\$250,547</u>

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

*Western Ohio Computer Organization* - The Russia Local School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative from the fiscal agent. The School District paid WOCO \$9,400 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

*Southwestern Ohio Educational Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The School District paid SOEPC \$415 for membership during the fiscal year. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Horseman Road, Dayton, Ohio 45424.

*Southwestern Ohio Instructional Technology Association* - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets will be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 1999, the school district paid \$1,490 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Television Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

*Shelby County Local Professional Development Consortium* - The School District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the public school districts and the educational service center in Shelby County.

**RUSSIA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The executive committee consists of one teacher representative from each of the school districts and the educational service center, one superintendent elected by the superintendents, one principal elected by the principal, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. The School District paid the Consortium \$500 for services provided during fiscal year 1999. Financial information can be obtained from Louis Ivey, who serves as director at 129 E. Court St., Sidney, OH 45365

**NOTE 15 - INSURANCE PURCHASING POOLS**

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

*Shelby County Schools Consortium* - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently. Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Anthem Life Insurance Company of Indiana for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. In fiscal year 1999, Russia Local School District contributed \$121,395 which represents 5.90% of total contributions. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

**NOTE 16 - SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$791,579 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient," clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...;

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 16 - SCHOOL FUNDING COURT DECISION (Continued)**

including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program. The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$11,329	\$11,329
Current Year Set-aside Requirement	30,611	30,611	15,306	76,528
Current Year Offsets	(5,381)	(0)	(0)	(5,381)
Qualifying Disbursements	<u>(25,230)</u>	<u>(30,611)</u>	<u>0</u>	<u>(55,841)</u>
Set-aside Cash Balance as of June 30, 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$26,635</u>	<u>\$26,635</u>
Amount restricted for bus purchases				<u>7,297</u>
Total Restricted Assets				<u>\$33,932</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)

**NOTE 18 - CONTINGENCIES** (Continued)

***B. Litigation***

There was no pending litigation against Russia Local School as of June 30, 1999.





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

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

Russia Local School District  
Shelby County  
100 School Street  
Russia, Ohio 45363

To the Board of Education:

We have audited the financial statements of Russia Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 20, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the School District in a separate letter December 20, 2000.

Russia Local School District  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

**JIM PETRO**  
Auditor of State

December 20, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**RUSSIA LOCAL SCHOOL DISTRICT**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 01, 2001**