



**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

To the Board of Education:

We have audited the accompanying financial statements of the Salem City School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2000. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the School District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

This report is intended solely for the information and use of the District, management and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 17, 2001

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendible Trust	(Memorandum Only)
Cash Receipts:						
Receipts from Local Sources:						
Taxes	\$8,747,523	\$770,478	\$915,878	\$432,699		\$10,866,578
Transportation Fees	(123,932)					(123,932)
Earnings on Investment	419,152	2,473				421,625
Extracurricular Activities		213,054				213,054
Miscellaneous Receipts	112,702	107,492		13,571	(82,671)	151,094
Receipts from State Sources:						
Unrestricted Grants-In-Aid	6,761,442	105,287	70,535	38,682		6,975,946
Restricted Grants-In-Aid	31,295	131,791		91,192		254,278
Receipts from Federal Sources:						
Unrestricted Grants-In-Aid	2,100	0				2,100
Restricted Grants-In-Aid		700,947				700,947
Total Cash Receipts	<u>15,950,282</u>	<u>2,031,522</u>	<u>986,413</u>	<u>576,144</u>	<u>(82,671)</u>	<u>19,461,690</u>
Cash Disbursements:						
Current:						
Instruction:						
Regular	7,371,780	91,140		59,940		7,522,860
Special	1,361,925	705,062				2,066,987
Vocational Education	493,130					493,130
Other	163,926					163,926
Support Services:						
Pupils	774,224	95,181		14,749		884,154
Instructional Staff	737,427	30,774				768,201
Board of Education	21,562					21,562
School Administration	1,254,624	26,325		590		1,281,539
Fiscal	450,165		13,970	6,219		470,354
Business	64,992					64,992
Operation and Maintenance - Plant	1,594,237			18,601		1,612,838
Student Transportation	476,640			18,150		494,790
Central	24,891	29,455				54,346
Operation of Non-Instructional Services:						
Community Services		82,676				82,676
Extracurricular Activities:						
Academic and Subject Oriented	12,441	30,529				42,970
Sports Oriented	275,692	152,832				428,524
Co-Curricular Activities	12,674	29,846				42,520
Facilities Acquisition and Construction Services:						
Architecture and Engineering		6,000		172,482		178,482
Building Improvement	185	40,330		599,458		639,973
Other Facilities Acquisition and Construction				27,551		27,551
Repayment of Debt			1,887,160			1,887,160
Total Cash Disbursements	<u>15,090,515</u>	<u>1,320,150</u>	<u>1,901,130</u>	<u>917,740</u>	<u>0</u>	<u>19,229,535</u>
Excess of Cash Receipts (Under)						
Cash Disbursements	<u>859,767</u>	<u>711,372</u>	<u>(914,717)</u>	<u>(341,596)</u>	<u>(82,671)</u>	<u>232,155</u>
Other Financing Sources (Uses):						
Sale of Bonds			780,000			780,000
Sale and loss of assets	225					225
Transfers In	838,288					838,288
Transfers Out	(398,652)	(838,288)				(1,236,940)
Refund of Prior Year Receipts		(26,049)				(26,049)
Total Other Financing Sources/Uses	<u>439,861</u>	<u>(864,337)</u>	<u>780,000</u>	<u>0</u>	<u>0</u>	<u>355,524</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	1,299,628	(152,965)	(134,717)	(341,596)	(82,671)	587,679
Fund Cash Balances, July 1, 1999	3,893,662	328,246	1,026,756	1,031,315	25,239	6,305,218
Fund Cash Balances, June 30, 2000	<u>\$5,193,290</u>	<u>\$175,281</u>	<u>\$892,039</u>	<u>\$689,719</u>	<u>(\$57,432)</u>	<u>\$6,892,897</u>
Reserved for Encumbrances, June 30, 2000	<u>\$170,153</u>	<u>\$96,519</u>	<u>\$0</u>	<u>\$223,515</u>	<u>\$0</u>	<u>\$490,187</u>

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type		Fiduciary Fund Type		Total (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	Agency	
Operating Cash Receipts:					
Tuition	\$222,781				\$222,781
Earnings on Investments			(25,556)		0
Food Service	247,768				\$247,768
Classroom Materials and Fees	39,587				39,587
Extracurricular Activities				49,168	49,168
Total Operating Cash Receipts	<u>510,136</u>	<u>0</u>	<u>(25,556)</u>	<u>49,168</u>	<u>559,304</u>
Operating Cash Disbursements:					
Personal Services - Salaries	404,990				404,990
Employees' Retirement and Insurance	194,763				194,763
Purchased Services	18,334	6,065		42,721	24,399
Supplies and Materials	226,104	35			226,139
Capital Outlay	738	0			738
Other Objects	6,806	139,677	3,975	48,290	198,748
Total Operating Cash Disbursements	<u>851,735</u>	<u>145,777</u>	<u>3,975</u>	<u>91,011</u>	<u>1,049,777</u>
Excess of Operating Cash Receipts (Under) Operating Cash Disbursements	<u>(341,599)</u>	<u>(145,777)</u>	<u>(29,531)</u>	<u>(41,843)</u>	<u>(490,473)</u>
Non-Operating Cash Receipts:					
Miscellaneous Receipts	16,877	(40,685)	(6,147)	2,923	(23,808)
State Sources:					
Unrestricted Grants-In-Aid	102,281				102,281
Federal Sources:					
Unrestricted Grants-In-Aid	272,253			42,721	272,253
Refund of Prior Year's Expense		(706)			(706)
Total Non-Operating Cash Receipts	<u>391,411</u>	<u>(41,391)</u>	<u>(6,147)</u>	<u>45,644</u>	<u>350,020</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	49,812	(187,168)	(35,678)	3,801	(140,453)
Transfers In		398,652			398,652
Total Interfund Transfers	<u>0</u>	<u>398,652</u>	<u>0</u>	<u>0</u>	<u>398,652</u>
Excess of Cash Receipts (Under) Cash Disbursements	49,812	211,484	(35,678)	3,801	258,199
Fund Cash Balances, July 1, 1999	197,154	283,293	156,304	18,984	655,735
Fund Cash Balances, June 30, 2000	<u>\$246,966</u>	<u>\$494,777</u>	<u>\$120,626</u>	<u>\$22,785</u>	<u>\$913,934</u>
Reserve for Encumbrances, June 30, 2000	<u>\$6,029</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,029</u>

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Fund Types/Funds	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$16,393,762	\$16,788,795	\$395,033
Special Revenue Funds	2,038,629	2,031,522	(7,107)
Debt Service Funds	1,776,560	1,766,413	(10,147)
Capital Projects Funds	341,468	576,144	234,676
Proprietary Fund Type:			
Enterprise Funds	888,544	901,547	13,003
Internal Service Funds	355,825	357,261	1,436
Fiduciary Fund Type:			
Trust and Agency Funds	<u>99,318</u>	<u>(19,562)</u>	<u>(118,880)</u>
Total (Memorandum Only)	<u>\$21,894,106</u>	<u>\$22,402,120</u>	<u>\$508,014</u>

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

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Fund Types/Funds	Prior Year Carryover Appropriations	2000 Appropriations	Total	Actual 2000 Disbursements	Encumbrances Outstanding at 6/30/00	Total	Variance Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$236,246	\$15,423,074	\$15,659,320	\$15,489,167	\$170,153	\$15,659,320	\$0
Special Revenue Funds	77,025	2,203,981	2,281,006	2,184,487	96,519	2,281,006	0
Debt Service Funds	0	1,901,130	1,901,130	1,901,130	0	1,901,130	0
Capital Projects Funds	154,740	986,515	1,141,255	917,740	223,515	1,141,255	0
Proprietary Fund Type:							
Enterprise Funds	12,929	844,835	857,764	851,735	6,029	857,764	0
Internal Service Funds	1,436	144,341	145,777	145,777	0	145,777	0
Fiduciary Fund Type:							
Trust and Agency Funds	800	94,186	94,986	94,986	0	94,986	0
Total (Memorandum Only)	<u>\$483,176</u>	<u>\$21,598,062</u>	<u>\$22,081,238</u>	<u>\$21,585,022</u>	<u>\$496,216</u>	<u>\$22,081,238</u>	<u>\$0</u>

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Salem City School District, Columbiana County, (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

The District's average daily membership (ADM) as of October 1, 1999 was 2654. The District employed 186 certificated employees on a full-time equivalent basis and 102 non-certificated employees.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements of the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. Investments

Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credit at the time of redemption to their respective fund balances. However, donated stocks held by the District are reported at market value and costs are charged when assessed and credits are redeemed when earned to their respective funds. Interest earned is recognized and recorded when received.

D. Fund Accounting

The School District uses fund accounting to segregate cash and investments that are restricted as to use. The School District classifies its funds into the following types;

1. General Fund

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

3. Debt Service Fund

These fund are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. According to the government accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For the purpose of this report, these funds have been classified into the proper groups if practical.

4. Capital Projects Funds

Capital project 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 and Trust Funds).

5. Enterprise Funds

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

6. Internal Service Funds

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

7. Trust & Agency Funds

Trust and Agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. Estimated Resources

The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 20. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund - type eliminations have not been made in the aggregation of this data.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting described in Note 1.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The School District maintains a cash and investment pool used by all funds.

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

Category A consists of "active" monies, those monies required to be kept in a "cash" or "near cash" status for immediate use by the School District. Such monies must be maintained either as cash in the School District treasury or negotiable order of withdrawal (NOW) accounts.

Category B consists of "inactive" monies, those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category C consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities.

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Deposits - At June 30, 2000, the carrying amount of the School District's deposits was \$(38,202) and the bank balance was \$389,154. Of the bank balance, \$150,000 was covered by federal depository insurance; and 249,154 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments - The School District's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

1. Securities held by the entity or its agent in the entity's name (Category 1).
2. Securities held by the counterparty's trust department or agent in the entity's name (Category 2).
3. Securities held by the counterparty, or by its trust department or agent but not in the entity's name (Category 3).

	CATEGORY			CARRYING VALUE	MARKET VALUE
	1	2	3		
Repurchase Agreements	\$0	\$0	\$1,722,885	\$1,722,885	\$1,722,885
FHLMC	0	0	500,000	500,000	500,000
Stocks	0	0	87,778	87,778	87,778
STAROhio(*)	0	0	0	5,505,681	5,505,681
Total Investments	<u>\$0</u>	<u>\$0</u>	<u>\$2,310,663</u>	<u>\$7,816,344</u>	<u>\$7,816,344</u>

(*) Star Ohio is an unclassified investment as it does not exist in physical or book entry form.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

3. PROPERTY TAX

Property taxes are levied and assessed values which equal 35% of appraised value. The county auditor reappraises all real property every three years with a triennial update. The last update for Columbiana County was completed for tax year 1998.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Columbiana County tax rates are combined. The full tax rate applied to real property for the tax (calendar) year 1999 was \$42.00 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$24.25 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$24.55 per \$1000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax (calendar) year 1999 was \$42.00 per \$1000 of assessed valuation.

Category	Assessed Value
Real Property - 1999 Valuation	
Commercial/Industrial	52,301,730
Residential/Agricultural	154,419,870
Gas/Oil/Minerals	370
Tangible Personal Property - 1999 Valuation	
General	14,675,180
Public Utilities	64,878,170
Total Valuation	286,272,320

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

4. DEBT

Debt outstanding at June 30, 2000 consisted of the following:

<u>General Obligation Bonds</u>	
Principal Outstanding	\$220,000
Interest Rates	8.125 %
<u>General Obligation Notes</u>	
Principal Outstanding	\$1,104,534
Interest Rates	0% to 4.83%

The general obligation bonds consist of energy conservation and public library issues. The bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

New debt consisted of Bond Anticipatory Notes and Energy Conservation Notes for which resources are pledged, was issued in 2000. These notes are secured by the District resources.

The annual requirements to amortize all bonded debt outstanding as of June 30, 2000, including interest payments of \$35,750, are as follows:

Year Ending June 30	General Obligation Bonds
2001	\$70,641
2002	66,172
2003	61,703
2004	57,234
Total	\$255,750

The annual requirements to amortize all note debt outstanding as of June 30, 2000, including interest payments of \$47,130 are as follows:

Year Ending June 30	General Obligation Notes
2001	\$1,103,792
2002	8,704
2003	8,704
2004	8,704
2005-2007	21,760
Total	\$1,151,664

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

5. INSURANCE

A. Comprehensive

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For Fiscal Year 2000, the District contracted with Wassau Insurance Companies for property, general liability, crime, inland marine, and automobile insurance coverage. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. General liability contains a \$1,000,000 single occurrence limit and \$5,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. This all risk policy has a \$1,000 deductible.

B. Health and Dental Insurance

The District's health insurance plan involves a combination of self-insurance through a claims servicing pool, a shared risk pool and a group insurance purchasing pool through the Consortium. The District is self-insured for plan year costs of \$65,000.

These claims are handled through the Consortium under a claims servicing type pool, in that the pool reviews and pays claims of the participants through a third-party administrator. The Consortium also provides stop/loss coverage for member districts which protects each district from individual claims which exceed plan-year costs of \$65,000 (on a claims paid basis) under a shared risk pool arrangement. Premium payments made by the members to the Consortium are utilized to fund an additional \$30,000 of plan year costs (on a claims paid basis). Based on claims and premiums of the Consortium, the members may be assessed additional costs based on their proportionate share of the Consortium costs.

The Consortium provides further individual specific stop/loss protection for claims which exceed \$95,000 in total costs for the plan year (on a claims paid basis) by purchasing commercial insurance. This insurance protection indemnifies districts against total claim costs exceeding \$95,000 up to a maximum of \$2,000,000, except in the case of districts whose negotiated plan establishes claim maximums at lower limits. The Salem City Schools' plan has a maximum claim cost of \$250,000 per occurrence with an aggregate lifetime maximum of \$1,000,000. If a Consortium member is in a deficit account balance at the end of the fiscal year, the member must pay 50% of the deficit amount in a lump-sum or in equal installments over the next 12 months and continue their repayment plan until the deficit is eliminated.

For the year ended June 30, 2000 claims paid by the Consortium on behalf of the District exceeded the District's coverage by \$800,000. With the exception of these claims no other claims have exceeded coverage in the last three years.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

5. INSURANCE (Continued)

C. Worker's Compensation

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the 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% of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7% was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$239,413, \$239,017, and \$228,335 respectively.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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 43215-3771.

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 5.5 % was the portion used to fund pension obligations. For fiscal year 1999, 7.7% was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,226,496, \$1,158,878, and \$1,122,940 respectively.

7. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 cost 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% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$700,820 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 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.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

7. POSTEMPLOYMENT BENEFITS (Continued)

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 of 2.2% for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available), were \$126,380,984 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 receiving health care benefits.

8. CONTINGENCIES

A. Grants

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

B. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$4,482,044 of school foundation support for its General fund.

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

8. CONTINGENCIES (Continued)

Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

C. OHIO ADMINISTRATIVE CODE SECTION 117-2-01

Ohio Administrative Code Section 117-2-01 requires that a school district prepare its financial statements in accordance with generally accepted auditing principles (GAAP) unless a waiver has been granted. For the year ended June 30, 2000, Salem City School District's waiver request was denied. The District decided not to comply with the aforementioned code section and has prepared their financial statements using the basis of accounting formerly prescribed of permitted by the Auditor of State, as discussed in the summary of significant accounting policies. Consequently, the District could incur administrative fines or other legal administrative remedies to be determined by the Auditor of State.

9. STATUTORY RESERVES

The District is required by State law to set aside certain (cash-basis) General fund revenue amounts, as defined by Statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Balance at 07/01/99	\$ 0	\$ 0	\$ 717,485
Required Set-Aside	445,370	445,370	148,457
Offset Credits			
Qualifying Expenditures	<u>(138,195)</u>	<u>(776,668)</u>	<u> </u>
Balance at 06/30/00	<u>\$ (307,175)</u>	<u>\$ 331,298</u>	<u>\$866,032</u>

Although the District had offsets and qualifying disbursements during the year that reduced the capital maintenance set-aside amounts below zero, this extra amounts may not be used to reduce the set-aside requirements of future years. These negative amounts are therefore not presented as being carried forward to the next fiscal year.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

10. JOINTLY GOVERNED ORGANIZATION

The Area Cooperative Computer Educational Service System is a jointly governed organization. The School District is a participant in the Area Cooperative Computer Educational Service System (ACCESS) which is a not-for-profit computer consortium. ACCESS's primary function is to provide data processing services to its twenty-three member school districts with the major emphasis being placed on accounting, payroll, personnel records and inventory control services. ACCESS is governed by an assembly consisting of the superintendents (or other designees) of the member school districts. The assembly exercises total control over the operation of ACCESS, including budgeting, appropriating, contracting and designating management. All revenue is generated from the State funding and charges for services.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	-	10.550		\$44,811		\$53,864
National Breakfast	05-PU-00	10.553	41,520	0	41,520	0
National School Lunch Program	04-PU-00	10.555	<u>230,733</u>	<u>0</u>	<u>230,733</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>272,253</u>	<u>44,811</u>	<u>272,253</u>	<u>53,864</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00	84.010	473,491	0	568,831	0
Adult Education- State Grant Program	AB-S1-99	84.002	0	0	86	0
Special Education Grants to State	6B-SF-99	84.027	165,580	0	188,689	0
Carl Perkins Grant		84.038	2,100	0	2,100	0
Pell Grant		84.063	42,721	0	42,721	0
Eisenhower Professional Development	MS-S1-00	84.281	13,351	0	28,598	0
Title VI Innovative Education Program	C2-S1-99	84.298	11,104	0	13,062	0
	C2-S1-99C		1,958	0	4,532	0
	C2-S1-00		<u>14,592</u>	<u>0</u>	<u>14,592</u>	<u>0</u>
Total Title VI			27,654	0	32,186	0
Class Size Reduction Program	CR-S1-00	84.340	<u>20,871</u>		<u>0</u>	<u>0</u>
Total Department of Education			<u>745,768</u>	<u>0</u>	<u>863,211</u>	<u>0</u>
Totals			<u>\$1,018,021</u>	<u>\$44,811</u>	<u>\$1,135,464</u>	<u>\$53,864</u>

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

**SALEM CITY LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
FISCAL YEAR ENDED JUNE 30, 2000**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the School contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

To the Board of Education:

We have audited the accompanying financial statements of the Salem City School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated December 17, 2001 which indicated that the District prepares its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Salem City 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 an instance of noncompliance that was required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-11215-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 17, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salem City 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Salem City School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-11215-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2000-11215-002 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Salem City School District in a separate letter dated December 17, 2001.

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

Jim Petro
Auditor of State

December 17, 2001



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

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

Salem City School District
Columbiana County
Report on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

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

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

Jim Petro
Auditor of State

December 17, 2001

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

SALEM CITY LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.027 Special Education Grants to States CFDA# 84.010 Title 1 Part A ESEA
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: > \$100,000
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2000

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

Finding Number 2000-11215-001	
--------------------------------------	--

Ohio Administrative Code Section 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles.

However, the School District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

It is recommended that the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Finding Number 2000-11215-002	
--------------------------------------	--

Financial and Depository Reconciliations:

The School District did not have an adequate system of controls in place to provide assurance that accurate and timely reconciliations of the District's financial statements and depository balances are performed. As a result the reconciliations of the financial statements and the depository balances for the fiscal year ending June 30, 2000 had not been performed. This creates a situation where management may have relied upon information that contained inaccurate amounts. Furthermore, the risk is increased that decisions could be made based upon unreliable information.

We recommend that the School District adopt the following procedures to provide assurance that the reconciliations are being performed in a timely and accurate fashion.

1. The treasurer should reconcile the financial statements and the supporting ledgers on a monthly basis and present these reconciliations to the Board of Education for review.
2. The treasurer should perform bank reconciliations of all the District's depository accounts on a monthly basis and present these reconciliations to the Board of Education for review.

By instituting these procedures management and all interested parties should be afforded with the financial information required to analyze the School District's financial status and enable them to make well guided decisions based upon reliable financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2000**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-01	OAC Section 117-02-03 failure to report financial statements on a GAAP basis.	No	Salem City School District has continued to prepare its financial statement using a comprehensive basis of accounting other than GAAP. This finding was repeated in the Schedule of Findings for the year ended June 30, 2000. Management intends to implement a GAAP conversion for fiscal year 2001.
1999-02	ORC Section 5709.391 (B) the district failed to update the 5 year projections of revenue and expenditures if actual revenues and expenditures deviate 5% or more.	Yes	
1999-03	ORC Section 5709.39 appropriations in certain funds exceeded estimated resources.	Yes	
1999-04	Bank reconciliations were not performed timely	No	This problem still existed as of June 30, 2000. The District was issued a 90 day letter to correct this problem. This finding was repeated in the Schedule of Findings for the year ended June 30, 2000. Management intends to implement control procedures to ensure reconciliations will be performed timely.



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SALEM CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2002**