

**SHELBY CITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**





**Auditor of State  
Betty Montgomery**

Board of Education  
Shelby City School District  
25 High School Avenue  
Shelby, Ohio 44875

We have reviewed the Independent Auditor's Report of the Shelby City School District, Richland County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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BETTY MONTGOMERY  
Auditor of State

May 7, 2003

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**SHELBY CITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Shelby City School District  
25 High School Avenue  
PO Box 31  
Shelby, Ohio 44875

We have audited the accompanying general purpose financial statements of the Shelby City School District (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Shelby City School District, as of June 30, 2002 and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2003 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.

**INDEPENDENT AUDITOR'S REPORT** (continued)

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

A handwritten signature in black ink, appearing to read "G. B. Fink". The signature is stylized with a large initial "G" and a long horizontal line extending to the right.

GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

March 28, 2003



*GENERAL PURPOSE FINANCIAL STATEMENTS*

Shelby City School District  
**Combined Balance Sheet**  
All Fund Types and Account Groups  
**June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Investments	\$624,186	\$979,756	\$0	\$325,099
Equity in Pooled Cash and Investments in Non-Expendable Trust Fund	0	0	0	0
Investments in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	6,623,383	0	0	334,195
Accounts	1,365	31,959	0	0
Intergovernmental	285,934	641,658	0	13,160
Accrued Interest	0	0	0	0
Interfund Receivable	212,235	0	0	0
Prepaid Items	14,956	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	52,562	0	0	0
Equity in Pooled Cash and Investments:				
Restricted	1,435,609	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$9,250,230</u>	<u>\$1,653,373</u>	<u>\$0</u>	<u>\$672,454</u>
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$146,160	\$20,538	\$0	\$45,017
Accrued Wages Payable	1,354,645	59,928	0	0
Compensated Absences Payable	14,977	0	0	0
Intergovernmental Payable	262,433	10,417	0	0
Claims Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
Interfund Payable	0	212,235	0	0
Deferred Revenue	5,284,365	375,548	0	274,615
Undistributed Monies	0	0	0	0
Due to Students	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
State Delinquent Property Tax Loan Payable	0	0	0	0
Early Retirement Incentive Payable	0	0	0	0
Total Liabilities	<u>7,062,580</u>	<u>678,666</u>	<u>0</u>	<u>319,632</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Reserved for Claims	0	0	0	0
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	572,317	51,267	110,000	99,536
Reserved for Prepaid Items	14,956	0	0	0
Reserved for Capital Maintenance	382,499	0	0	0
Reserved for Budget Stabilization	462,430	0	0	0
Reserved for Inventory	52,562	0	0	0
Reserved for Textbooks & Instructional Material	581,136	0	0	0
Reserved for Taxes Unavailable for Appropriation	1,339,018	0	0	59,580
Reserved for Scholarships	0	0	0	0
Reserved for Future Bus Purchases	9,544	0	0	0
Reserved for Principal Endowment	0	0	0	0
Unreserved:				
Undesignated	(1,226,812)	923,440	(110,000)	193,706
Total Fund Equity and Other Credits	<u>2,187,650</u>	<u>974,707</u>	<u>0</u>	<u>352,822</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$9,250,230</u>	<u>\$1,653,373</u>	<u>\$0</u>	<u>\$672,454</u>

See accompanying notes to the combined financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$5,864	\$1,703,852	\$614,690	\$0	\$0	\$4,253,447
0	0	299,461	0	0	299,461
0	0	19,600	0	0	19,600
0	0	0	0	0	6,957,578
4,414	0	344	0	0	38,082
28,901	0	0	0	0	969,653
0	0	7,701	0	0	7,701
0	0	0	0	0	212,235
0	0	0	0	0	14,956
11,827	0	0	0	0	11,827
0	0	0	0	0	52,562
0	0	0	0	0	1,435,609
89,980	0	0	12,452,414	0	12,542,394
0	0	0	0	4,628,545	4,628,545
<u>\$140,986</u>	<u>\$1,703,852</u>	<u>\$941,796</u>	<u>\$12,452,414</u>	<u>\$4,628,545</u>	<u>\$31,443,650</u>
\$566	\$147	\$2,372	\$0	\$0	\$214,800
50,531	0	0	0	0	1,465,104
23,802	0	0	0	1,177,844	1,216,623
34,180	0	0	0	135,002	442,032
0	225,958	0	0	0	225,958
0	0	0	0	143,819	143,819
0	0	0	0	0	212,235
4,116	0	0	0	0	5,938,644
0	0	2,034	0	0	2,034
0	0	67,215	0	0	67,215
0	0	0	0	1,160,000	1,160,000
0	0	0	0	1,207,126	1,207,126
0	0	0	0	804,754	804,754
113,195	226,105	71,621	0	4,628,545	13,100,344
0	0	0	12,452,414	0	12,452,414
0	1,460,704	0	0	0	1,460,704
27,791	17,043	0	0	0	44,834
0	0	0	0	0	833,120
0	0	0	0	0	14,956
0	0	0	0	0	382,499
0	0	0	0	0	462,430
0	0	0	0	0	52,562
0	0	0	0	0	581,136
0	0	0	0	0	1,398,598
0	0	87,130	0	0	87,130
0	0	0	0	0	9,544
0	0	233,460	0	0	233,460
0	0	549,585	0	0	329,919
27,791	1,477,747	870,175	12,452,414	0	18,343,306
<u>\$140,986</u>	<u>\$1,703,852</u>	<u>\$941,796</u>	<u>\$12,452,414</u>	<u>\$4,628,545</u>	<u>\$31,443,650</u>

**Shelby City School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Similar Trust Funds**  
**For the Fiscal Year Ended June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues:</u>				
Taxes	\$7,612,242	\$0	\$0	\$339,715
Intergovernmental	8,503,109	1,200,302	0	103,618
Interest	75,710	795	0	0
Tuition and Fees	8,995	0	0	0
Classroom Materials and Fees	36,906	0	0	0
Extracurricular Activities	57,036	194,385	0	0
Miscellaneous	12,803	404,122	0	0
<b>Total Revenues</b>	<b>16,306,801</b>	<b>1,799,604</b>	<b>0</b>	<b>443,333</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,105,116	166,532	0	0
Special	1,191,133	235,820	0	0
Vocational	436,030	0	0	0
Other	151,897	0	0	0
Support Services:				
Pupils	796,869	97,331	0	0
Instructional Staff	763,497	130,020	0	0
Board of Education	24,873	0	0	0
Administration	1,286,458	1,386	0	0
Fiscal	533,152	2,141	0	0
Operation and Maintenance of Plant	1,344,670	37,038	0	0
Pupil Transportation	708,647	504	0	0
Central	65,681	18,390	0	0
Operation of Non-Instructional				
Services	420	132,780	0	0
Extracurricular Activities	469,105	106,262	0	0
Capital Outlay	10,178	46,485	0	700,588
Debt Service:				
Principal Retirement	33,229	0	110,000	26,429
Interest and Fiscal Charges	11,083	0	64,770	302
<b>Total Expenditures</b>	<b>14,932,038</b>	<b>974,689</b>	<b>174,770</b>	<b>727,319</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,374,763</b>	<b>824,915</b>	<b>(174,770)</b>	<b>(283,986)</b>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	0	0	0	74,500
Refund of Prior Year Expenditures	11,473	0	0	0
Operating Transfers In	0	51,887	29,580	275,000
Operating Transfers Out	(406,509)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(395,036)</b>	<b>51,887</b>	<b>29,580</b>	<b>349,500</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)</b>	<b>979,727</b>	<b>876,802</b>	<b>(145,190)</b>	<b>65,514</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,217,875</b>	<b>97,905</b>	<b>145,190</b>	<b>287,308</b>
(Decrease) in Reserve for Inventory	(8,762)	0	0	0
Residual Equity Transfer Out	(1,190)	0	0	0
<b>Fund Balances at End of Year</b>	<b>\$2,187,650</b>	<b>\$974,707</b>	<b>\$0</b>	<b>\$352,822</b>

See accompanying notes to the combined financial statements.

Proprietary Fund Types	Totals
Expendable Trusts	(Memorandum Only)
\$0	\$7,951,957
0	9,807,029
28,699	105,204
0	8,995
0	36,906
0	251,421
<u>30,000</u>	<u>446,925</u>
 58,699	 <u>18,608,437</u>
 7,000	 7,278,648
0	1,426,953
0	436,030
0	151,897
 0	 894,200
0	893,517
0	24,873
0	1,287,844
0	535,293
0	1,381,708
0	709,151
0	84,071
 0	 133,200
0	575,367
0	757,251
 0	 169,658
<u>0</u>	<u>76,155</u>
 7,000	 <u>16,815,816</u>
 51,699	 <u>1,792,621</u>
 0	 74,500
0	11,473
0	356,467
<u>0</u>	<u>(406,509)</u>
 0	 <u>35,931</u>
 51,699	 1,828,552
497,886	2,246,164
0	(8,762)
<u>0</u>	<u>(1,190)</u>
 <u>\$549,585</u>	 <u>\$4,064,764</u>

**Shelby City School District**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$6,659,296	\$0	\$0
Tuition	2,760	2,760	0
Transportation Fees	6,235	6,235	0
Intergovernmental	8,227,687	8,227,687	0
Investment Income	75,983	75,983	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	36,987	36,895	(92)
Other	12,469	12,619	150
<b>Total Revenues</b>	<b>15,021,417</b>	<b>15,021,475</b>	<b>58</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	7,044,699	7,541,657	(496,958)
Special	1,229,036	1,188,579	40,457
Vocational	439,004	443,056	(4,052)
Other	171,838	215,463	(43,625)
<b>Support Services:</b>			
Pupil	860,850	696,068	164,782
Instructional Staff	831,428	817,840	13,588
Board of Education	24,550	27,447	(2,897)
Administration	1,274,345	1,315,356	(41,011)
Fiscal	466,437	541,828	(75,391)
Operation and Maintenance of Plant	1,381,556	1,401,989	(20,433)
Pupil Transportation	690,615	720,331	(29,716)
Central	9,957	65,689	(55,732)
<b>Operation of Non-</b>			
Instructional Services	1,457	420	1,037
Extracurricular Activities	410,658	410,485	173
Capital Outlay	98,930	10,428	88,502
<b>Debt Service:</b>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>14,935,360</b>	<b>15,396,636</b>	<b>(461,276)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>86,057</b>	<b>(375,161)</b>	<b>(461,218)</b>
<b>Other Financing Sources (Uses):</b>			
Refund of Prior Year Expenditures	11,474	11,473	(1)
Operating Transfer In	16,500	16,493	(7)
Operating Transfer Out	(513,643)	(424,192)	89,451
Advances-In	271,347	271,347	0
Advances-Out	(327,163)	(169,133)	158,030
<b>Total Other Sources (Uses)</b>	<b>(541,485)</b>	<b>(294,012)</b>	<b>247,473</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)</b>	<b>(455,428)</b>	<b>(669,173)</b>	<b>(213,745)</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,777,747</b>	<b>1,777,747</b>	<b>0</b>
<b>Prior Year Encumbrances</b>	<b>386,625</b>	<b>386,625</b>	<b>0</b>
<b>Fund Balances at End of Year</b>	<b>\$1,708,944</b>	<b>\$1,495,199</b>	<b>(\$213,745)</b>

See accompanying notes to the combined financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
417,488	955,194	537,706	0	0	0
795	794	(1)	0	0	0
194,340	194,201	(139)	0	0	0
0	0	0	0	0	0
373,011	373,000	(11)	0	0	0
<u>985,634</u>	<u>1,523,189</u>	<u>537,555</u>	<u>0</u>	<u>0</u>	<u>0</u>
760,380	203,628	556,752	0	0	0
27,646	248,124	(220,478)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
84,960	108,493	(23,533)	0	0	0
158,721	124,621	34,100	0	0	0
0	0	0	0	0	0
11,348	1,544	9,804	0	0	0
2,141	2,141	0	0	0	0
95	37,038	(36,943)	0	0	0
1,578	505	1,073	0	0	0
0	18,390	(18,390)	0	0	0
156,278	146,258	10,020	0	0	0
132,107	114,525	17,582	0	0	0
330	46,485	(46,155)	0	0	0
0	0	0	123,724	110,000	13,724
0	0	0	196,236	174,770	21,466
<u>1,335,584</u>	<u>1,051,752</u>	<u>283,832</u>	<u>319,960</u>	<u>284,770</u>	<u>35,190</u>
<u>(349,950)</u>	<u>471,437</u>	<u>821,387</u>	<u>(319,960)</u>	<u>(284,770)</u>	<u>35,190</u>
0	0	0	0	0	0
67,606	67,606	0	174,770	29,580	(145,190)
0	(15,719)	(15,719)	0	0	0
170,001	170,001	0	0	0	0
0	(273,190)	(273,190)	0	0	0
<u>237,607</u>	<u>(51,302)</u>	<u>(288,909)</u>	<u>174,770</u>	<u>29,580</u>	<u>(145,190)</u>
(112,343)	420,135	532,478	(145,190)	(255,190)	(110,000)
379,535	379,535	0	0	0	0
<u>120,301</u>	<u>120,301</u>	<u>0</u>	<u>145,190</u>	<u>145,190</u>	<u>0</u>
<u>\$387,493</u>	<u>\$919,971</u>	<u>\$532,478</u>	<u>\$0</u>	<u>(\$110,000)</u>	<u>(\$110,000)</u>

(continued)

**Shelby City School District**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis) (Continued)**  
**All Governmental Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 2002**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$396,471	\$254,997	(\$141,474)
Tuition	0	0	0
Transportation Fees	0	0	0
Intergovernmental	69,458	69,458	0
Investment Income	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Other	0	0	0
<b>Total Revenues</b>	<b>465,929</b>	<b>324,455</b>	<b>(141,474)</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupil	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non- Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	906,193	719,940	186,253
Debt Service:			
Principal Retirement	26,429	26,429	0
Interest and Fiscal Charges	302	302	0
<b>Total Expenditures</b>	<b>932,924</b>	<b>746,671</b>	<b>186,253</b>
Excess of Revenues Over (Under) Expenditures	(466,995)	(422,216)	44,779
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	0	0	0
Operating Transfer In	275,000	275,000	0
Operating Transfer Out	0	0	0
Advances-In	0	0	0
Advances-Out	0	0	0
<b>Total Other Sources (Uses)</b>	<b>275,000</b>	<b>275,000</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(191,995)	(147,216)	44,779
Fund Balances at Beginning of Year	84,465	84,465	0
Prior Year Encumbrances	191,995	191,995	0
<b>Fund Balances at End of Year</b>	<b>\$84,465</b>	<b>\$129,244</b>	<b>\$44,779</b>



Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$7,055,767	\$6,914,293	(\$141,474)
0	0	0	2,760	2,760	0
0	0	0	6,235	6,235	0
0	0	0	8,714,633	9,252,339	537,706
0	28,699	28,699	76,778	105,476	28,698
0	0	0	194,340	194,201	(139)
0	0	0	36,987	36,895	(92)
4,013	30,000	25,987	389,493	415,619	26,126
4,013	58,699	54,686	16,476,993	16,927,818	450,825
4,013	7,000	(2,987)	7,809,092	7,752,285	56,807
0	0	0	1,256,682	1,436,703	(180,021)
0	0	0	439,004	443,056	(4,052)
0	0	0	171,838	215,463	(43,625)
0	0	0	945,810	804,561	141,249
0	0	0	990,149	942,461	47,688
0	0	0	24,550	27,447	(2,897)
0	0	0	1,285,693	1,316,900	(31,207)
0	0	0	468,578	543,969	(75,391)
0	0	0	1,381,651	1,439,027	(57,376)
0	0	0	692,193	720,836	(28,643)
0	0	0	9,957	84,079	(74,122)
0	0	0	157,735	146,678	11,057
0	0	0	542,765	525,010	17,755
0	0	0	1,005,453	776,853	228,600
0	0	0	150,153	136,429	13,724
0	0	0	196,538	175,072	21,466
4,013	7,000	(2,987)	17,527,841	17,486,829	41,012
0	51,699	51,699	(1,050,848)	(559,011)	491,837
0	0	0	11,474	11,473	(1)
0	0	0	533,876	388,679	(145,197)
0	0	0	(513,643)	(439,911)	73,732
0	0	0	441,348	441,348	0
0	0	0	(327,163)	(442,323)	(115,160)
0	0	0	145,892	(40,734)	(186,626)
0	51,699	51,699	(904,956)	(599,745)	305,211
491,393	491,393	0	2,733,140	2,733,140	0
0	0	0	844,111	844,111	0
<u>\$491,393</u>	<u>\$543,092</u>	<u>\$51,699</u>	<u>\$2,672,295</u>	<u>\$2,977,506</u>	<u>\$305,211</u>

**Shelby City School District**  
**Combined Statement of Revenues, Expenses**  
**and Changes in Retained Earnings**  
**All Proprietary Fund Types and Similar Trust Funds**  
**For the Fiscal Year Ended June 30, 2002**

	PROPRIETARY FUNDS		FIDUCIARY	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	FUND Non-Expendable Trust	
<u>Operating Revenues:</u>				
Tuition	\$0	\$0	\$0	\$0
Food Service Sales	569,581	0	0	569,581
Classroom Materials and Fees	28,050	0	0	28,050
Charges for Services	0	1,299,997	0	1,299,997
Classroom Fee	0	0	0	0
Interest on Investments	0	0	787	787
Other Operating Revenues	60	10,387	0	10,447
<b>Total Operating Revenues</b>	<b>597,691</b>	<b>1,310,384</b>	<b>787</b>	<b>1,908,862</b>
<u>Operating Expenses:</u>				
Salaries	282,071	0	0	282,071
Fringe Benefits	183,066	0	0	183,066
Purchased Services	15,985	1,877,897	23	1,893,905
Materials and Supplies	336,193	5,787	13	341,993
Cost of Sales	132,883	0	0	132,883
Depreciation	10,169	0	0	10,169
Other Operating Expenses	884	20	2,845	3,749
<b>Total Operating Expenses</b>	<b>961,251</b>	<b>1,883,704</b>	<b>2,881</b>	<b>2,847,836</b>
Operating (Loss)	(363,560)	(573,320)	(2,094)	(938,974)
<u>Non-Operating Revenues:</u>				
Federal Donated Commodities	128,888	0	0	128,888
Operating Grants	192,919	4,907	0	197,826
Refund of Prior Year Expense	0	0	0	0
Interest Income	195	63,853	0	64,048
<b>Total Non-Operating Revenues</b>	<b>322,002</b>	<b>68,760</b>	<b>0</b>	<b>390,762</b>
Net (Loss) before Transfers In	(41,558)	(504,560)	(2,094)	(548,212)
Operating Transfers In	50,042	0	0	50,042
Net Income (Loss)	8,484	(504,560)	(2,094)	(498,170)
Depreciation on Fixed Assets Acquired by Contributed Capital	0	0	0	0
Retained Earnings/Fund Balance at Beginning of Year	19,307	1,982,307	322,684	2,324,298
Retained Earnings/Fund Balance at End of Year	27,791	1,477,747	320,590	1,826,128
Contributed Capital at Beginning of Year	0	0	0	0
Depreciation on Fixed Assets Acquired by Contributed Capital	0	0	0	0
<b>Total Fund Equity at End of Year</b>	<b>\$27,791</b>	<b>\$1,477,747</b>	<b>\$320,590</b>	<b>\$1,826,128</b>

See accompanying notes to the combined financial statements.

Shelby City School District  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types and Similar Trust Funds**  
**For the Fiscal Year Ended June 30, 2002**

	PROPRIETARY FUNDS		FIDUCIARY	Totals
	Enterprise	Internal Service	FUND Nonexpendable Trust	Memorandum Only)
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Food Services	\$566,298	\$0	\$0	\$566,298
Cash Received from Charges for Services	28,018	1,299,997	0	1,328,015
Cash Received from Contributions and Donations	0	10,332	0	10,332
Cash Received from Interest on Investments	0	0	14,577	14,577
Cash Payments to Employees for Services	(278,380)	0	0	(278,380)
Cash Payments for Employee Benefits	(181,804)	0	0	(181,804)
Cash Payments to Suppliers for Goods and Services	(370,415)	(1,851,211)	(2,858)	(2,224,484)
Cash for Miscellaneous Expenditures and Receipts	(824)	55	0	(769)
Net Cash Provided by (Used for) Operating Activities	(237,107)	(540,827)	11,719	(766,215)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	164,018	4,907	0	168,925
Operating Transfers In	50,042	0	0	50,042
Net Cash Provided by Noncapital Financing Activities	214,060	4,907	0	218,967
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	195	63,853	0	64,048
Net Cash Provided by (Used for) Investing Activities	195	63,853	0	64,048
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Payments for Capital Acquisitions	(14,697)	0	0	(14,697)
Net Cash Provided by (Used for) Capital Activities	(14,697)	0	0	(14,697)
Net Increase (Decrease) in Cash and Cash Equivalents	(37,549)	(472,067)	11,719	(497,897)
Cash and Cash Equivalents at Beginning of Year	43,413	2,175,919	287,742	2,507,074
Cash and Cash Equivalents at End of Year	<u>\$5,864</u>	<u>\$1,703,852</u>	<u>\$299,461</u>	<u>\$2,009,177</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss)	(\$363,560)	(\$573,320)	(\$2,094)	(\$938,974)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Depreciation	10,169	0	0	10,169
Donated Commodities Used During Year	128,888	0	0	128,888
<u>Changes in Assets and Liabilities:</u>				
(Increase)/Decrease in Accounts Receivable	(3,315)	0	(10)	(3,325)
(Increase)/Decrease in Investments in Segregated Accounts	0	0	13,800	13,800
(Increase)/Decrease in Inventory Held for Resale	(2,748)	0	0	(2,748)
Increase/(Decrease) in Accounts Payable	(9,566)	147	23	(9,396)
Increase/(Decrease) in Accrued Wages	524	0	0	524
Increase/(Decrease) in Compensated Absences Payable	6,491	0	0	6,491
Increase/(Decrease) in Intergovernmental Payable	(2,062)	0	0	(2,062)
Increase/(Decrease) in Deferred Revenue	(1,928)	0	0	(1,928)
Increase/(Decrease) in Claims Payable	0	32,346	0	32,346
Total Adjustments	126,453	32,493	13,813	172,759
Net Cash Provided by Operating Activities	<u>(\$237,107)</u>	<u>(\$540,827)</u>	<u>\$11,719</u>	<u>(\$766,215)</u>
<u>Nonexpendable Trust Cash Reconciliation to Balance Sheet:</u>				
Trust and Agency Funds per Balance Sheet			\$914,151	
Less Agency Funds			(71,598)	
Less Expendable Trust Fund			(543,092)	
Nonexpendable Trust Fund Cash Per Above			<u>\$299,461</u>	

See accompanying notes to the combined financial statements.

**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1854 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 72 square miles. It is located in Richland County, and includes all of the City of Shelby and portions of Sharon, Plymouth, Jackson, Bloominggrove and Franklin Townships. The School District is the 221st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 97 noncertificated employees and 178 certificated full-time teaching personnel who provide services to 2,351 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one garage.

*Reporting Entity:*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure 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 the Shelby City 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.

The School District is associated with three organizations, which are defined as a joint venture, a jointly governed organization, and an insurance purchasing pool. These organizations include the North Central Ohio Computer Cooperative, the Pioneer Career and Technology Center, a Vocational School District, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 17, 18, and 19 to the general purpose financial statements.

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

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

**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

**A. Basis of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

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

*Proprietary Fund Types:*

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 are the School District's proprietary fund types:

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

**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

*Internal Service Funds* - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-Expendable 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 the 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.

**B. 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 combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and 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 combined balance sheet. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures 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.

**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when 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. Measurable property taxes as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 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 types and the non-expendable 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.

**C. 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 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.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*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 Richland County Budget Commission for rate determination.

**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

*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's Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

*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, several supplemental appropriations were enacted; however, none of these amendments were significant.

The budget amounts, 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 other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. 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.

*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.



**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

**D. Cash and Cash Equivalents**

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

During fiscal year 2002, investments were limited to common stock donated in 1980 to a nonexpendable trust fund and STAR Ohio.

The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

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

Following Ohio statutes, the district has allocated its interest earnings. Interest revenue credited to the general fund during 2002 amounted to \$75,710, which includes \$15,984 assigned from other district funds.

**E. Estimates**

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

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are 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 is 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 proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

**G. Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years. In proprietary funds improvements are capitalized and depreciated over the remaining useful lives of the related asset, as applicable.

Depreciation of furniture and equipment in proprietary fund types is computed using the straight-line method over estimated useful lives of five to twenty years.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and 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 Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Auxiliary Services
- Education Management Information Systems
- Venture Capital
- Entry Year Programs
- Disadvantaged Pupil Impact Aid
- Textbooks/Instructional Materials Subsidy
- Title I
- Title VI

**Shelby City School District**  
**Richland County, Ohio**  
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**June 30, 2002**

Title VI-B  
Drug-Free Schools  
Eisenhower Grant  
Professional Development Block Grant

*Capital Projects Funds*  
School Net  
School Net Plus

*Reimbursable Grants*  
*General Fund*  
Driver Education

*Proprietary Funds*  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 52.8 percent of the School District's operating revenue during the 2002 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the 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.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 15 years of service with the School District and at least 45 years of age and for employees at least 55 years of age regardless of years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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**K. Accrued Liabilities and Long Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**L. 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 for the purchase of textbooks and to create a reserve for budget stabilization. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**M. 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, budget stabilization, textbook purchases, school bus purchases, prepaid items, advances, scholarships and endowments.

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. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five-year period is presented as reserved. The reserve for endowments signifies the legal restrictions on the use of principal.

**N. Interfund Transactions**

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

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**O. 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 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-Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	\$(669,173)	\$420,135	\$(255,190)	\$(147,216)	\$ 51,699
Adjustments for:					
Revenue Accruals	997,486	90,695	-	118,878	(115,091)
Expenditure Accruals	47,317	294,461	-	(50,701)	115,091
Encumbrances	<u>604,097</u>	<u>71,511</u>	<u>110,000</u>	<u>144,553</u>	<u>-</u>
GAAP Basis	<u>\$ 979,727</u>	<u>\$876,802</u>	<u>\$(145,190)</u>	<u>\$ 65,514</u>	<u>\$ 51,699</u>

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**OTE 4 - EQUITY IN POOLED CASH 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 withdrawal 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.

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

1. United States Treasury Notes, Bills, Bonds, or 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 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 the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in eligible institutions applying for interim funds. Interim deposits are certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. 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;

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7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of this interim monies available for investments at any one time.

Investments in stripped principal or interest obligations, reverse purchase 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.

*Cash on Hand:* At fiscal year end, the School District had \$3,210 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 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 \$1,434,971 and the bank balance was \$1,832,903. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$1,632,903 was collateralized by securities pledged on the School District's deposits.

*Investments:* The School District's investments are categorized below to give an indication of the level of holding risk assumed by the School District at fiscal year end. Category one includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category two includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category three 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. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Not</u> <u>Categorized</u>	<u>Category</u> <u>A</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Common Stock	\$ -	\$20,600	\$ 20,600	\$ 20,600
STAR Ohio	<u>4,549,336</u>	<u>-</u>	<u>4,549,336</u>	<u>4,549,336</u>
Total Investments	<u>\$4,549,336</u>	<u>\$20,600</u>	<u>\$4,569,936</u>	<u>\$4,569,936</u>

Net increase in the fair value of applicable investments during fiscal year 2002 per GASB Statement No. 31 is as follows:

Fair value at June 30, 2002	\$19,600
Fair value at June 30, 2001	<u>34,400</u>
Decrease in fair value of investments during fiscal year 2002	<u>\$14,800</u>

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A reconciliation between classifications of "Equity of pooled cash and cash equivalents" and "Investments" on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 are as follows:

	<u>Equity in pooled cash and cash equivalents</u>	<u>Investments</u>
Per GASB Statement No. 9	\$6,008,117	\$
Cash on Hand	(3,210)	-
Investment in STAR Ohio	(4,549,336)	4,549,336
Common Stock	<u>(20,600)</u>	<u>20,600</u>
 Per GASB Statement No. 3	 <u>\$1,434,971</u>	 <u>\$4,569,936</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105 percent of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**NOTE 5 - PROPERTY TAXES**

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

Real property taxes are payable annually or 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, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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 Richland County. The County Auditor periodically advances to the School District its portion of the tax collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



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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, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$1,339,018 in the General Fund and \$59,580 in the Capital Projects Fund.

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

	<u>2002 First- Half Collections</u>		<u>2001 Second- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$169,842,960	74%	\$168,308,420	72%
Public Utility	101,040	0%	-	%
Tangible Personal Property	<u>58,376,595</u>	<u>26%</u>	<u>67,455,699</u>	<u>8%</u>
Total Assessed Value	<u>\$228,320,595</u>	<u>100%</u>	<u>\$235,764,119</u>	<u>100%</u>
 Tax rate per \$1,000 of assessed valuation	 \$49.80		 \$50.60	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. 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.

A summary of the principal items of receivables follows:

	<u>Amount</u>
General Fund	
Taxes-Current	\$5,928,280
Taxes-Delinquent	695,103
Accounts	1,365
Intergovernmental	285,934
Special Revenue Fund	
Accounts	31,959
Intergovernmental	641,658
Capital Projects Fund	
Taxes-Current	303,266
Taxes-Delinquent	30,929
Intergovernmental	13,160
Enterprise Fund	
Accounts	4,414
Intergovernmental	28,901

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Trust and Agency Fund	
Accounts	344
Accrued Interest	<u>7,701</u>
 Total Receivables	 <u>\$7,973,014</u>

**NOTE 7 - FIXED ASSETS**

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

<u>Asset Category</u>	<u>Balance at</u> <u>6/30/02</u>
Furniture and equipment	\$ 217,203
Less accumulated depreciation	<u>(127,223)</u>
Total	<u>\$ 89,980</u>

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

<u>Asset Category</u>	<u>Balance at</u> <u>7/01/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/02</u>
Land and Improvements	\$799,767	\$ 20,000	\$ -	\$ 819,767
Buildings and Improvements	6,829,552	26,485	-	6,856,037
Furniture and Equipment	3,133,376	625,025	126,242	3,632,159
Vehicles	<u>1,052,503</u>	<u>121,056</u>	<u>29,108</u>	<u>1,144,451</u>
Totals	<u>\$11,815,198</u>	<u>\$ 792,566</u>	<u>\$155,350</u>	<u>\$12,452,414</u>

**NOTE 8 - 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. During fiscal year 2002, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$ 1,000	\$42,738,056
Inland Marine Coverage	100	100,000
Electronic Data Processing	100	268,390
Boiler and Machinery	1,500	1,000,000
Automobile Liability	250	1,000,000
Uninsured Motorists	250	500,000
General Liability	3,000	1,000,000/5,000,000

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ettled claims have not exceeded this commercial coverage in any of the past three years. For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant share 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.

Medical/surgical, life, and dental insurance are offered to employees through a self-insurance internal service fund. The claims liability of \$225,958 reported in the internal service fund at June 30, 2002 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2001	\$149,644	\$1,178,196	\$1,134,228	\$193,612
2002	\$193,612	\$1,877,750	\$1,845,404	\$225,958

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a public available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio, 43215-3771, or by calling (614)-227-4090.

Plan members are required to contribute 9.3 percent of their annual-covered salary and the District is required to contribute 14 percent. At June 30, 2001 (latest information available) 9.5 percent was the portion used to fund pension obligations, and 4.5 percent to fund health care. 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 School District's contributions to STRS for the years ended June 30, 2002, 2001 and 2000 were \$1,104,175, \$1,090,908, and \$1,194,711, respectively; 82.52 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$193,060 is recorded as a liability within respective funds and the general long-term obligation account group.

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**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

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 rate is 14 percent of annual-covered payroll. At June 30, 2001 (latest information available), 4.2 percent was the portion used to fund pension obligations, and 9.8 percent fund health care. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$357,072, \$313,392, and \$305,165, respectively; 39.97 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$214,364 is recorded as a liability within respective funds and the general long-term obligation account group.

**C. Social Security System**

All employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - 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 noncertificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute is established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has 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 the coverage paid from STRS funds shall be included in the employer's contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, which amounted to \$354,913 for the district.

The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

The portion of the 2001 employer contribution rate (latest information available) that was used to fund health care benefits for the year 2002 was 9.8 percent of covered payroll. 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 2002, the minimum pay had been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$143,480, for the fiscal year ended June 30, 2002.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (latest information available) were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment of benefits at June 30, 2001 was \$315.7 million.

**NOTE 11 - 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 243 days for classified and 240 days for certified personnel. Upon retirement, payment is made from accrued, but unused sick leave credit for classified personnel at a rate on one-fourth (1/4) of the first 160 days and one-third (1/3) of any unused sick leave over 160 days. For certified personnel, payment is made for one-fourth (1/4) of any unused sick leave.

In addition, certified personnel are provided with a retirement incentive equal to two (2) days severance pay for each year of service the School District, not to exceed forty-five (45) days, provided the employee has at least ten (10) years service to the School District.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Trans-General Life Insurance Company.

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**NOTE 12 - LONG-TERM OBLIGATIONS**

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

	Balance At <u>07/01/01</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>06/30/02</u>
Energy Conservation Bonds	\$ 1,270,000	\$ -	\$110,000	\$ 1,160,000
State of Ohio Bankruptcy Loan	-	1,207,126	-	1,207,126
Capital Lease Payable Restated	128,977	74,500	59,658	143,819
Intergovernmental Payable	113,559	21,443	-	135,002
Compensated Absences	1,083,965	93,879	-	1,177,844
Retirement Incentive	<u>614,731</u>	<u>301,933</u>	<u>111,910</u>	<u>804,754</u>
Total Long Term Obligations	<u>\$ 3,211,232</u>	<u>\$1,688,881</u>	<u>\$281,568</u>	<u>\$4,628,545</u>

*Energy Conservation Bond* - On June 1, 1998, the School District issued \$1,600,000 in bonds. The bonds were issued for a fifteen-year period with final maturity at June 1, 2013. The bonds will be retired from the debt service fund. The interest rate of the bonds is 5.1 percent.

The capital lease was paid from the General Fund and was restated as it was determine maintenance and supply costs were included in the lease payment (See Note 22). Compensated absences and the retirement incentive will be paid from the fund from which the employees' salaries are paid.

The State of Ohio Bankruptcy loan is due to a local business filing for Chapter Eleven receivership. The loan will be paid back when the receivership is concluded and at that time an amortization of the loan will be agree upon by the school district and the State of Ohio.

The School District's voted legal debt margin was \$21,218,771 with an unvoted debt margin of \$235,764 at June 30, 2002. The annual requirements to amortize the bond debt outstanding as of June 30, 2001, including interest is as follows:

Fiscal Year <u>Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 110,000	\$ 64,770	\$ 174,770
2004	105,000	59,160	164,160
2005	105,000	53,805	158,805
2006	105,000	48,450	153,450
2007	105,000	43,095	148,095
Thereafter	<u>630,000</u>	<u>146,115</u>	<u>776,115</u>
Total	<u>\$1,160,000</u>	<u>\$415,395</u>	<u>\$1,575,395</u>

**Shelby City School District  
Richland County, Ohio  
Notes to the Combined Financial Statements  
June 30, 2002**

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for the acquisition of reproduction equipment and computers.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Similar Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long Term Obligations Account Group. Principal payments in the 2002 fiscal year totaled \$33,229 in the General Fund and \$26,429 in the Capital Projects Fund. This amount is reflected as "Debt Service Principal Retirement" in the General Fund.

The following is an analysis of equipment leased under capital leases as of June 30, 2002:

	<b>General Fixed Assets</b>
Equipment (copiers)	\$238,754
Equipment (Computers)	<u>112,724</u>
Carrying Value	<u>\$351,478</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002:

<u>June 30 Year Ending</u>	<u>Capital Lease Liability</u>
2003	\$ 71,044
2004	56,211
2005	29,479
2006	<u>7,379</u>
Total Minimum Lease Payments	164,113
Less: Amount Representing Interest	<u>(20,294)</u>
Present Value of Future Minimum Lease Payment	<u>\$143,819</u>

**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

**NOTE 14 - INTERFUND ACTIVITY**

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$212,235	\$ -
Special Revenue:		
Drug Free Grant		169,003
Class Reduction		31,898
Chapter II		10,458
Title VI-B	-	<u>876</u>
Total All Funds	<u>\$212,235</u>	<u>\$212,235</u>

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are disclosed in the general purpose financial statements as "Interfund Receivable/Payable."

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Shelby City School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$569,581	\$28,110	\$597,691
Operating Expenses	933,596	27,655	961,251
Depreciation Expense	10,169	-	10,169
Operating Income (Loss)	(364,015)	455	(363,560)
Donated Commodities	128,888	-	128,888
Operating Grants	192,919	-	192,919
Interest Income	195	-	195
Net Income (Loss)	(8,939)	455	(8,484)
Net Working Capital	(62,806)	617	(62,189)
Total Assets	139,992	994	140,986
Total Liabilities	112,818	377	113,195
Total Equity	27,174	617	27,791

**NOTE 16 - 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.



**Shelby City School District  
Richland County, Ohio  
Notes to the Combined Financial Statements  
June 30, 2002**

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

	<u>Textbooks</u>	<u>Maintenance Reserve</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2001	\$ 572,375	\$ 187,772	\$ 462,430	\$ 1,222,577
Current Year Set-aside Requirement	321,081	321,081	-	642,162
Qualifying Disbursements	<u>(312,321)</u>	<u>(126,354)</u>	<u>-</u>	<u>(438,675)</u>
Cash Balance Carried Forward to FY 2003	<u>\$ 581,135</u>	<u>\$ 382,499</u>	<u>\$ 462,430</u>	<u>\$1,426,064</u>
Total Restricted Assets				<u>\$1,426,064</u>

Amounts remaining at year end that have been set-aside to satisfy statutory requirements are represented by cash and are presented by restricted assets on the balance sheet. Corresponding amounts have been reported as reserves of fund balances.

**NOTE 17 - JOINT VENTURE WITHOUT EQUITY INTEREST**

*North Central Ohio Computer Cooperative* - The North Central Ohio Computer Cooperative (NCOCC) is a governmental joint venture consisting of 21 school districts and two county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each member district supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the NCOCC, all current members will share in the net obligations or asset liquidation in a ratio proportionate to their last twelve months' financial obligations. NCOCC is governed by a Board of Directors, consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NCOCC as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Jerry Payne, who serves as the Treasurer, at P. O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATION**

*Pioneer Joint Vocational School District* - The Pioneer Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Pioneer Career and Technology Center, a Vocational School District, Jerry A. Payne, who serves as Treasurer, at P.O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

**NOTE 19 - INSURANCE PURCHASING POOL**

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

**Shelby City School District  
Richland County, Ohio  
Notes to the Combined Financial Statements  
June 30, 2002**

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

**NOTE 20 - CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2002.

**NOTE 21 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

**NOTE 22 - PRIOR PERIOD ADJUSTMENT**

Capital Lease Payable in the General Long Term Debt Account Group was adjusted base on a new amortization schedule and additional information supplied by Xerox Corporation. In prior years the capital lease obligation reflected costs of maintenance and supplies which are operating costs. The following schedule reflects the changes made to Capital Lease Payable in the General Long Term Debt Account Group:

General Long Term Debt Account Group:

Capital Lease Payable, June 30, 2001	\$231,204
Adjusted costs of maintenance and supplies from payable	<u>(102,227)</u>
Capital Lease Payable, June 30, 2001 restated	<u>\$128,977</u>

**Shelby City School District**  
**Richland County, Ohio**  
**Notes to the Combined Financial Statements**  
**June 30, 2002**

**NOTE 23 - COMPLIANCE**

Budgetary Non-compliance

Contrary to 5705.41(B) of the Ohio Revised Code, the general fund, special revenue funds, capital project funds, enterprise funds, expendable trust fund and nonexpendable trust fund had numerous instances, in which expenditures exceeded appropriations at various fund, function and object codes.

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

Board of Education  
Shelby City School District  
25 High School Avenue  
PO Box 31  
Shelby, Ohio 44875

We have audited the general purpose financial statements of the Shelby City School District (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated March 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-1 and 2002-2. We also we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated March 28, 2003.

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

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

A handwritten signature in black ink, appearing to read "G. B. Fink". The signature is fluid and cursive, with the first letter of each name being capitalized and prominent.

GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

March 28, 2003

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

Board of Education  
Shelby City School District  
25 High School Avenue  
PO Box 31  
Shelby, Ohio 44875

Compliance

We have audited the compliance of the Shelby 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 its major federal program for the year ended June 30, 2002. The District's major federal program is 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 the District's compliance based on our audit.

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

As described in item 2002-3 in the accompanying Schedule of Findings, the District did not comply with requirements regarding timely filing of the final expenditure report that is applicable to the Title I program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the preceding paragraph, Shelby City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

March 28, 2003

**Shelby City School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2002**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through the Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	044776-LLP4-2002	\$134,058	\$134,058
National School Lunch Program	10.555	044776-LLP4-2001	17,449	17,449
Total National School Lunch Program			151,507	151,507
Special Milk Program for Children	10.556	044776-02PU-2002	2,781	2,781
Special Milk Program for Children	10.556	044776-02PU-2001	402	402
Total Special Milk Program for Children			3,183	3,183
Food Distribution	10.550	---	170,976	128,888
Total U.S. Department of Agriculture-Child Nutrition Cluster			325,666	283,578
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through the Ohio Department of Education:</i>				
Eisenhower Professional Development State Grants	84.281	044776-MSS1-2002	9,908	14
Total Eisenhower Professional Development State Grants			9,908	14
Innovative Education Program Strategies (ESEA Title VI)	84.298	044776-C2S1-2002	3,768	0
Innovative Education Program Strategies (ESEA Title VI)	84.298	044776-C2S1-2001	0	15
Innovative Education Program Strategies (ESEA Title VI)	84.298	044776-C2S1-2000	8,980	1,095
Total Innovative Education Program Strategies			12,748	1,110
Title I Grants to Local Education Agencies	84.010	044776-C1S1-2002	36,461	205,464
Title I Grants to Local Education Agencies	84.010	044776-C1S1-2001	167,511	14,509
Title I Grants to Local Education Agencies	84.010	044776-C1S1-2000	24,718	38
Total Title I Grants to Local Education Agencies			228,690	220,011
Safe and Drug-Free Schools and Communities - State Grants	84.186	044776-DRS1-2002	1,971	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	044776-DRS1-2001	6,794	4,626
Safe and Drug-Free Schools and Communities - State Grants	84.186	044776-DRS1-2000	617	3,750
Total Safe and Drug-Free Schools and Communities			9,382	8,376
Class Size Reduction (Title VI-R)	84.340	044776-CRS1-2002	16,164	0
Class Size Reduction (Title VI-R)	84.340	044776-CRS1-2001	0	95
Class Size Reduction (Title VI-R)	84.340	044776-CRS1-2000	20,030	339
Total Class Size Reduction			36,194	434
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	044776-6BS3-2002-P	44,413	0
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	044776-6BS3-2002-P	49,804	49,804
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	044776-6BS3-2001-P	97,042	32,741
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	044776-6BS3-2000-P	0	2,238
Total Title VI-B Flow-Thru - Special Education Cluster			191,259	84,783
Comprehensive School Reform Demonstration	84.332	044776-RFS1-2001	40,415	9,592
Comprehensive School Reform Demonstration	84.332	044776-RFS1-2000	37,030	27,433
Comprehensive School Reform Demonstration	84.332	044776-RFS1-1999	0	263
Total Comprehensive School Reform Demonstration			77,445	37,288
Total U.S. Department of Education			565,626	352,016
Total Federal Assistance			<u>\$891,292</u>	<u>\$635,594</u>

The notes to this Schedule are an integral part of this Schedule.



**SHELBY CITY SCHOOL DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**SHELBY CITY SCHOOL DISTRICT**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Qualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	Yes

**SHELBY CITY SCHOOL DISTRICT**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)**

(d)(1)(vii)	Major Program:	Title I Grants to Local Education Agencies, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2002-1

Section 5705.41 (B) Revised Code, states, “no subdivision or taxing unit is to expend money unless it has been appropriated”.

The following funds had expenditures that exceeded approved appropriations at June 30, 2002:

General Fund	\$213,296
Special Revenue Funds:	
Other Grants	5,575
State Funds	34,183
One Net	13,730
Capital Projects Fund:	
Permanent Improvements	5,357
Enterprise	
Food Service	472
Uniform School Supplies	429
Trust Funds	
Expendable Trust	2,987
Non-Expendable Trust	336

Expenditures plus encumbrances also exceeded appropriations in various funds at the legal level of control during the fiscal year.

**SHELBY CITY SCHOOL DISTRICT**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)**

Finding Number 2002-2

Section 5705.40 Revised Code, allows appropriation measures to be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation measure.

Appropriations have been amended during the year and the total amendments are then submitted to the Board for approval prior to the end of the fiscal year. The appropriation amendment passed by the Board at year end was not prepared at the same level of control as the annual appropriation which was at the fund, function and object level.

**3. FINDINGS FOR FEDERAL AWARDS**

Finding Number 2002-3

CFDA Title and Number: Title I Grants to Local Educational Agencies, CDFA #84.010

Federal Award Number: 044776-C1-S1-2001

Federal Agency: Department of Education

Pass-Through Agency: Ohio Department of Education

Title I requirements require final expenditure reports to be submitted for each project immediately after all financial obligations have been liquidated. The final expenditure report is due no later than sixty (60) days after the end of the project period.

Our testing revealed that the final expenditure report for the fiscal year 2001 program was submitted by the District to the Ohio Department of Education on May 30, 2002. The final expenditure report should have been submitted no later than November 30, 2001.

We recommend that the District establish a tickler file that identifies the dates that reports are due. Future late filings could result in a temporary suspension of the flow of federal funds for the grant until the project is closed.

**SHELBY CITY SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §315(c)**

**FOR THE YEAR ENDED JUNE 30, 20020**

Audit Finding Reference Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2000-3	A tickler file has been established that lists all dates that final expenditure reports are due.	March 31, 2003	Mr. Michael Wade Treasurer





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**SHELBY CITY SCHOOL DISTRICT**

**RICHLAND 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  
MAY 22, 2003**