



**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

East Muskingum Local School District
Muskingum County
13505 John Glenn School Road
New Concord, Ohio 43762-9702

To Members of the Board:

We have audited the accompanying general purpose financial statements of the East Muskingum Local School District, Muskingum County, Ohio, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the East Muskingum Local School District, Muskingum County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures 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.

Jim Petro
Auditor of State

February 17, 2000

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,314,343	\$231,403	\$16,143	\$1,544,366
Cash and Cash Equivalents In Segregated Accounts	0	33	0	0
Receivables:				
Property and Other Taxes	3,389,037	0	0	441,041
Accounts	5,717	0	0	0
Intergovernmental	179,275	24,384	0	50,000
Interfund Receivable	50,000	0	0	0
Due from Other Funds	333	0	0	0
Prepaid Items	9,509	770	0	4,285
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	82,174	0	0	0
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	155,511	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligations Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$5,185,899</u>	<u>\$256,590</u>	<u>\$16,143</u>	<u>\$2,039,692</u>

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$69,353	\$500,586	\$34,802	\$0	\$0	\$3,710,996
0	14,461	0	0	0	14,494
0	0	0	0	0	3,830,078
0	1,043	0	0	0	6,760
20,753	0	0	0	0	274,412
0	0	0	0	0	50,000
0	0	0	0	0	333
790	0	0	0	0	15,354
6,296	0	0	0	0	6,296
1,590	0	0	0	0	83,764
0	0	0	0	0	155,511
88,579	0	0	14,470,497	0	14,559,076
0	0	0	0	16,143	16,143
0	0	0	0	719,289	719,289
<u>\$187,361</u>	<u>\$516,090</u>	<u>\$34,802</u>	<u>\$14,470,497</u>	<u>\$735,432</u>	<u>\$23,442,506</u>

(continued)

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$88,643	\$27,065	\$0	\$0
Contracts Payable	0	0	0	34,211
Accrued Wages Payable	1,000,213	52,122	0	0
Compensated Absences Payable	53,522	0	0	0
Interfund Payable	0	0	0	50,000
Due to Other Funds	0	333	0	0
Intergovernmental Payable	222,034	4,330	0	0
Deferred Revenue	2,174,509	0	0	281,395
Due to Students	0	0	0	0
Accrued Interest Payable	549	0	0	0
Claims Payable	0	0	0	0
Tax Refund Payable	0	0	0	0
Energy Conservation Loan Payable	137,696	0	0	0
Special Termination Benefits Payable	56,950	0	0	0
Total Liabilities	<u>3,734,116</u>	<u>83,850</u>	<u>0</u>	<u>365,606</u>
Fund Equity and Other Credits:				
Investment in				
General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	434,724	54,734	0	12,035
Reserved for Unclaimed Monies	1,343	0	0	0
Reserved for Property Taxes	1,214,528	0	0	159,646
Reserved for Budget Stabilization	146,146	0	0	0
Reserved for Inventory	82,174	0	0	0
Unreserved, Designated for Budget Stabilization	9,365	0	0	0
Unreserved, Undesignated (Deficit)	<u>(436,497)</u>	<u>118,006</u>	<u>16,143</u>	<u>1,502,405</u>
Total Fund Equity and Other Credits	<u>1,451,783</u>	<u>172,740</u>	<u>16,143</u>	<u>1,674,086</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,185,899</u>	<u>\$256,590</u>	<u>\$16,143</u>	<u>\$2,039,692</u>

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$278	\$0	\$0	\$0	\$0	\$115,986
0	0	0	0	0	34,211
13,468	0	0	0	0	1,065,803
6,285	0	0	0	624,422	684,229
0	0	0	0	0	50,000
0	0	0	0	0	333
47,074	0	0	0	82,560	355,998
2,677	0	0	0	0	2,458,581
0	0	34,802	0	0	34,802
0	0	0	0	0	549
0	188,257	0	0	0	188,257
0	0	0	0	28,450	28,450
0	0	0	0	0	137,696
0	0	0	0	0	56,950
<u>69,782</u>	<u>188,257</u>	<u>34,802</u>	<u>0</u>	<u>735,432</u>	<u>5,211,845</u>
0	0	0	14,470,497	0	14,470,497
180,477	0	0	0	0	180,477
(62,898)	327,833	0	0	0	264,935
0	0	0	0	0	501,493
0	0	0	0	0	1,343
0	0	0	0	0	1,374,174
0	0	0	0	0	146,146
0	0	0	0	0	82,174
0	0	0	0	0	9,365
0	0	0	0	0	1,200,057
<u>117,579</u>	<u>327,833</u>	<u>0</u>	<u>14,470,497</u>	<u>0</u>	<u>18,230,661</u>
<u>\$187,361</u>	<u>\$516,090</u>	<u>\$34,802</u>	<u>\$14,470,497</u>	<u>\$735,432</u>	<u>\$23,442,506</u>

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

	Governmental	
	General	Special Revenue
Revenues:		
Property and Other Taxes	\$3,040,028	\$0
Intergovernmental	7,870,120	688,767
Interest	131,919	0
Tuition and Fees	52,302	0
Extracurricular Activities	0	278,782
Rent	555	0
Miscellaneous	66,873	6,980
Total Revenues	11,161,797	974,529
Expenditures:		
Current:		
Instruction:		
Regular	6,035,506	196,839
Special	601,574	372,135
Vocational	172,144	0
Other	21,585	0
Support Services:		
Pupils	257,344	31,038
Instructional Staff	406,492	49,385
Board of Education	25,039	0
Administration	1,261,338	9,788
Fiscal	197,027	0
Operation and Maintenance of Plant	1,024,218	0
Pupil Transportation	908,735	1,288
Central	28,391	6,567
Non-Instructional Services	0	2,798
Extracurricular Activities	168,193	275,000
Capital Outlay	4,104	0
Refund of Property Taxes	123,938	0
Debt Service:		
Interest and Fiscal Charges	7,378	0
Total Expenditures	11,243,006	944,838
Excess of Revenues Over (Under) Expenditures	(81,209)	29,691
Other Financing Sources (Uses):		
Proceeds from Sale of Fixed Assets	10,427	0
Operating Transfers In	0	82
Operating Transfers Out	(275,011)	0
Total Other Financing Sources (Uses)	(264,584)	82
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(345,793)	29,773
Fund Balances at Beginning of Year (Restated - Note 3)	1,787,379	142,967
Increase in Reserve for Inventory	10,197	0
Fund Balances at End of Year	\$1,451,783	\$172,740

See accompanying notes to the general purpose financial statements

Fund Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$0	\$395,308	\$3,435,336
0	266,190	8,825,077
0	58,610	190,529
0	0	52,302
0	0	278,782
0	0	555
0	29,538	103,391
<u>0</u>	<u>749,646</u>	<u>12,885,972</u>
0	0	6,232,345
0	0	973,709
0	0	172,144
0	0	21,585
0	0	288,382
0	0	455,877
0	0	25,039
0	0	1,271,126
0	0	197,027
0	0	1,024,218
0	0	910,023
0	0	34,958
0	0	2,798
0	0	443,193
0	881,553	885,657
0	14,264	138,202
<u>0</u>	<u>5,732</u>	<u>13,110</u>
<u>0</u>	<u>901,549</u>	<u>13,089,393</u>
<u>0</u>	<u>(151,903)</u>	<u>(203,421)</u>
0	0	10,427
0	264,929	265,011
0	0	(275,011)
<u>0</u>	<u>264,929</u>	<u>427</u>
0	113,026	(202,994)
16,143	1,561,060	3,507,549
<u>0</u>	<u>0</u>	<u>10,197</u>
<u>\$16,143</u>	<u>\$1,674,086</u>	<u>\$3,314,752</u>

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

	General		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Taxes	\$2,902,650	\$3,026,588	\$123,938
Intergovernmental	7,709,148	7,709,148	0
Interest	130,828	131,915	1,087
Tuition and Fees	51,624	52,028	404
Extracurricular Activities	0	0	0
Rent	555	555	0
Miscellaneous	94,195	94,472	277
Total Revenues	10,889,000	11,014,706	125,706
Expenditures:			
Current:			
Instruction:			
Regular	6,351,597	6,124,805	226,792
Special	605,714	587,913	17,801
Vocational	173,335	169,871	3,464
Other	43,769	22,310	21,459
Support Services:			
Pupils	262,628	252,759	9,869
Instructional Staff	498,494	412,305	86,189
Board of Education	38,677	27,681	10,996
Administration	1,299,132	1,255,771	43,361
Fiscal	208,269	194,322	13,947
Operation and Maintenance of Plant	1,153,643	1,093,479	60,164
Pupil Transportation	1,185,794	1,036,947	148,847
Central	37,609	28,451	9,158
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	173,957	163,810	10,147
Capital Outlay	7,615	4,104	3,511
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	12,040,233	11,374,528	665,705
Excess of Revenues Over (Under) Expenditures	(1,151,233)	(359,822)	791,411
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	8,840	10,427	1,587
Refund of Prior Year Expenditures	42	42	0
Operating Transfers In	0	0	0
Advances In	0	0	0
Advances Out	0	(50,000)	(50,000)
Other Financing Uses	(18,675)	0	18,675
Refund of Prior Year Receipts	(1,366)	(125,305)	(123,939)
Operating Transfers Out	(458,256)	(275,011)	183,245
Total Other Financing Sources (Uses)	(469,415)	(439,847)	29,568
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,620,648)	(799,669)	820,979
Fund Balances at Beginning of Year	821,348	821,348	0
Prior Year Encumbrances Appropriated	962,841	962,841	0
Fund Balances at End of Year	\$163,541	\$984,520	\$820,979

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$180,501	\$180,501	\$0
664,384	664,384	0	8,800	8,800	0
0	0	0	0	0	0
0	0	0	0	0	0
277,964	278,782	818	0	0	0
0	0	0	0	0	0
6,498	6,498	0	0	0	0
<u>948,846</u>	<u>949,664</u>	<u>818</u>	<u>189,301</u>	<u>189,301</u>	<u>0</u>
262,350	251,870	10,480	0	0	0
393,594	362,641	30,953	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
17,501	16,625	876	0	0	0
66,993	50,424	16,569	0	0	0
0	0	0	0	0	0
62,060	9,709	52,351	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,286	1,275	11	0	0	0
6,567	6,567	0	0	0	0
5,000	1,399	3,601	0	0	0
346,332	295,526	50,806	0	0	0
0	0	0	0	0	0
0	0	0	357,826	357,826	0
0	0	0	14,337	14,322	15
<u>1,161,683</u>	<u>996,036</u>	<u>165,647</u>	<u>372,163</u>	<u>372,148</u>	<u>15</u>
<u>(212,837)</u>	<u>(46,372)</u>	<u>166,465</u>	<u>(182,862)</u>	<u>(182,847)</u>	<u>15</u>
0	0	0	0	0	0
0	482	482	0	0	0
82	82	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	(16,143)	0	16,143
<u>82</u>	<u>564</u>	<u>482</u>	<u>(16,143)</u>	<u>0</u>	<u>16,143</u>
(212,755)	(45,808)	166,947	(199,005)	(182,847)	16,158
123,481	123,481	0	199,005	199,005	0
89,697	89,697	0	0	0	0
<u>\$423</u>	<u>\$167,370</u>	<u>\$166,947</u>	<u>\$0</u>	<u>\$16,158</u>	<u>\$16,158</u>

(continued)

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

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property and Other Taxes	\$238,098	\$252,362	\$14,264
Intergovernmental	257,390	207,390	(50,000)
Interest	52,905	58,610	5,705
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rent	0	0	0
Miscellaneous	29,538	29,538	0
Total Revenues	<u>577,931</u>	<u>547,900</u>	<u>(30,031)</u>
Expenditures:			
Current:			
Instruction:			
Regular	105,190	0	105,190
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	15,000	0	15,000
Operation and Maintenance of Plant	1,355,981	0	1,355,981
Pupil Transportation	175,000	0	175,000
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	720,526	1,037,584	(317,058)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>2,371,697</u>	<u>1,037,584</u>	<u>1,334,113</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,793,766)</u>	<u>(489,684)</u>	<u>1,304,082</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	0	0	0
Refund of Prior Year Expenditure	0	0	0
Operating Transfers In	187,929	264,929	77,000
Advances In	0	50,000	50,000
Advances Out	0	0	0
Other Financing Uses	0	0	0
Refund of Prior Year Receipts	0	(14,264)	(14,264)
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>187,929</u>	<u>300,665</u>	<u>112,736</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,605,837)</u>	<u>(189,019)</u>	<u>1,416,818</u>
Fund Balances at Beginning of Year	1,652,494	1,652,494	0
Prior Year Encumbrances Appropriated	47,102	47,102	0
Fund Balances at End of Year	<u>\$93,759</u>	<u>\$1,510,577</u>	<u>\$1,416,818</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,321,249	\$3,459,451	\$138,202
8,639,722	8,589,722	(50,000)
183,733	190,525	6,792
51,624	52,028	404
277,964	278,782	818
555	555	0
130,231	130,508	277
<u>12,605,078</u>	<u>12,701,571</u>	<u>96,493</u>
6,719,137	6,376,675	342,462
999,308	950,554	48,754
173,335	169,871	3,464
43,769	22,310	21,459
280,129	269,384	10,745
565,487	462,729	102,758
38,677	27,681	10,996
1,361,192	1,265,480	95,712
223,269	194,322	28,947
2,509,624	1,093,479	1,416,145
1,362,080	1,038,222	323,858
44,176	35,018	9,158
5,000	1,399	3,601
520,289	459,336	60,953
728,141	1,041,688	(313,547)
357,826	357,826	0
14,337	14,322	15
<u>15,945,776</u>	<u>13,780,296</u>	<u>2,165,480</u>
<u>(3,340,698)</u>	<u>(1,078,725)</u>	<u>2,261,973</u>
8,840	10,427	1,587
42	524	482
188,011	265,011	77,000
0	50,000	50,000
0	(50,000)	(50,000)
(18,675)	0	18,675
(1,366)	(139,569)	(138,203)
<u>(474,399)</u>	<u>(275,011)</u>	<u>199,388</u>
<u>(297,547)</u>	<u>(138,618)</u>	<u>158,929</u>
(3,638,245)	(1,217,343)	2,420,902
2,796,328	2,796,328	0
1,099,640	1,099,640	0
<u>\$257,723</u>	<u>\$2,678,625</u>	<u>\$2,420,902</u>

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**COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues:			
Sales	\$468,136	\$0	\$468,136
Charges for Services	0	893,257	893,257
Other Operating Revenues	0	1,367	1,367
Total Operating Revenues	468,136	894,624	1,362,760
Operating Expenses:			
Salaries	239,422	0	239,422
Fringe Benefits	51,676	0	51,676
Purchased Services	24,116	126,312	150,428
Materials and Supplies	20,190	0	20,190
Cost of Sales	294,815	0	294,815
Depreciation	11,009	0	11,009
Claims	0	876,440	876,440
Total Operating Expenses	641,228	1,002,752	1,643,980
Operating Loss	(173,092)	(108,128)	(281,220)
Non-Operating Revenues:			
Federal Donated Commodities	40,668	0	40,668
Interest Income	2,902	0	2,902
Federal and State Subsidies	128,588	0	128,588
Total Non-Operating Revenues	172,158	0	172,158
Loss Before Operating Transfers	(934)	(108,128)	(109,062)
Operating Transfers In	0	10,000	10,000
Net Loss	(934)	(98,128)	(99,062)
Retained Earnings (Deficit) at Beginning of Year	(61,964)	425,961	363,997
Retained Earnings (Deficit) at End of Year	(62,898)	327,833	264,935
Contributed Capital at Beginning and End of Year	180,477	0	180,477
Total Fund Equity at End of Year	\$117,579	\$327,833	\$445,412

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$467,836	\$468,136	\$300
Charges for Services	0	0	0
Other Operating Revenues	0	0	0
Interest	2,676	2,902	226
Operating Grants	107,835	107,835	0
Total Revenues	<u>578,347</u>	<u>578,873</u>	<u>526</u>
Expenses:			
Salaries	234,983	233,934	1,049
Fringe Benefits	74,400	66,223	8,177
Purchased Services	25,028	25,016	12
Materials and Supplies	336,557	278,836	57,721
Claims	0	0	0
Total Expenses	<u>670,968</u>	<u>604,009</u>	<u>66,959</u>
Excess of Revenues Over (Under) Expenses	<u>(92,621)</u>	<u>(25,136)</u>	<u>67,485</u>
Operating Transfers In	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Operating Transfers In	(92,621)	(25,136)	67,485
Fund Equity at Beginning of Year	79,527	79,527	0
Prior Year Encumbrances Appropriated	<u>13,094</u>	<u>13,094</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$0</u></u>	<u><u>\$67,485</u></u>	<u><u>\$67,485</u></u>

See accompanying notes to the general purpose financial statements

Internal Service Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$467,836	\$468,136	\$300
892,870	893,257	387	892,870	893,257	387
281	325	44	281	325	44
0	0	0	2,676	2,902	226
0	0	0	107,835	107,835	0
<u>893,151</u>	<u>893,582</u>	<u>431</u>	<u>1,471,498</u>	<u>1,472,455</u>	<u>957</u>
0	0	0	234,983	233,934	1,049
0	0	0	74,400	66,223	8,177
579,217	126,313	452,904	604,245	151,329	452,916
0	0	0	336,557	278,836	57,721
870,690	870,690	0	870,690	870,690	0
<u>1,449,907</u>	<u>997,003</u>	<u>452,904</u>	<u>2,120,875</u>	<u>1,601,012</u>	<u>519,863</u>
<u>(556,756)</u>	<u>(103,421)</u>	<u>453,335</u>	<u>(649,377)</u>	<u>(128,557)</u>	<u>520,820</u>
<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
(546,756)	(93,421)	453,335	(639,377)	(118,557)	520,820
608,468	608,468	0	687,995	687,995	0
0	0	0	13,094	13,094	0
<u>\$61,712</u>	<u>\$515,047</u>	<u>\$453,335</u>	<u>61,712</u>	<u>\$582,532</u>	<u>\$520,820</u>

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**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$468,136	\$0	\$468,136
Cash Received from Quasi-External Transactions with Other Funds	0	893,257	893,257
Cash Received from Other Sources	0	325	325
Cash Payments to Suppliers for Goods and Services	(301,984)	(126,313)	(428,297)
Cash Payments for Employee Services	(233,934)	0	(233,934)
Cash Payments for Employee Benefits	(66,223)	0	(66,223)
Cash Payments for Claims	0	(870,690)	(870,690)
Net Cash Used for Operating Activities	<u>(134,005)</u>	<u>(103,421)</u>	<u>(237,426)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Transfers In	0	10,000	10,000
Operating Grants Received	107,835	0	107,835
Net Cash Provided by Noncapital Financing Activities	<u>107,835</u>	<u>10,000</u>	<u>117,835</u>
Cash Flows from Investing Activities	2,902	0	2,902
Net Decrease in Cash and Cash Equivalents	(23,268)	(93,421)	(116,689)
Cash and Cash Equivalents at Beginning of Year	92,621	608,468	701,089
Cash and Cash Equivalents at End of Year	<u>\$69,353</u>	<u>\$515,047</u>	<u>\$584,400</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(\$173,092)	(\$108,128)	(\$281,220)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	11,009	0	11,009
Donated Commodities Used During Year	40,668	0	40,668
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	0	(1,043)	(1,043)
Decrease in Prepaid Items	212	0	212
Increase in Inventory Held for Resale	(1,126)	0	(1,126)
Increase in Materials and Supplies Inventory	(59)	0	(59)
Decrease in Accounts Payable	(1,707)	0	(1,707)
Decrease in Accrued Wages Payable	(940)	0	(940)
Decrease in Compensated Absences Payable	(10,101)	0	(10,101)
Increase in Deferred Revenue	386	0	386
Increase in Intergovernmental Payable	4,357	0	4,357
Decrease in Special Termination Benefits Payable	(3,612)	0	(3,612)
Increase in Claims Payable	0	5,750	5,750
Total Adjustments	<u>39,087</u>	<u>4,707</u>	<u>43,794</u>
Net Cash Used for Operating Activities	<u>(\$134,005)</u>	<u>(\$103,421)</u>	<u>(\$237,426)</u>

See accompanying notes to the general purpose financial statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1958 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 192 square miles. It is located in Muskingum and Guernsey Counties, and includes all of the Village of New Concord, Ohio. The School District is the 231st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 84 classified employees, 133 certificated full-time teaching personnel and 12 administrative employees who provide services to 2,308 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

The School District is associated with two organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Tri-Rivers Educational Computer Association (TRECA), the Mid-East Ohio Vocational School District, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

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

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

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.

Internal Service Funds - Internal service funds 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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 only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

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

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 are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary 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 and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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. 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 and fund. 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. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

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

Estimated Resources:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

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 is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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 legally enacted; however, none of these amendments were significant.

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

Encumbrances:

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

Lapsing of Appropriations:

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

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 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 1999, the Emergency Building Repair Capital Projects Fund spent more than its equity interest in the pool. An interfund receivable and payable have been established between this fund and the General Fund in the amount of \$50,000. The School District will continue to monitor budgetary documentation in order to ensure that future violations will not occur.

The School District has a segregated bank account for monies held separate from the School District's central bank account. This interest bearing depository account is presented on the combined balance sheet as "cash and cash equivalents in segregated account" since it is not required to be deposited into the School District treasury.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

During fiscal year 1999, investments were limited to a money market mutual fund which is reported at fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund and Capital Projects Fund during fiscal year 1999 amounted to \$131,919 and \$58,610, respectively, which includes \$42,153 assigned to the General Fund from other School District funds.

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.

E. 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost in the general fixed assets account group.

Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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 any infrastructure.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Community Education
- Venture Capital
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Eisenhower Professional Development Block
- School Net Professional Development
- Goals 2000
- Book Fair
- Martha Holden Jennings
- Unsung Heroes
- Financial Literacy
- Interactive Video Distance Learning

Capital Projects Funds

- School Net
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to sixty-seven percent of governmental fund revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The School District only records a liability for accumulated unused vacation time when earned for the District's treasurer whose contract is valid from January 1st through December 31st of any given year. For the remainder of the School District's employees with one or more years of service, vacation hours at the end of the fiscal year may not be accumulated and carried forward to the next fiscal year.

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

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

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, claims, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made less than two months after fiscal year end are considered to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of 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. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 22 for the calculations of the year end restricted asset balance and the corresponding fund balance reserve.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, unclaimed monies, property taxes, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not held for the five year period is presented as reserved. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures

O. Contributed Capital

Contributed capital represents resources from other funds provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. The amount of contributed capital did not change during fiscal year 1999.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Total Columns on General Purpose Financial Statements

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

Q. Estimates

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

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

A prior period adjustment has been made in the General Fund as of July 1, 1998. The adjustment increased fund balance in the amount of \$14,365 to \$1,787,379 resulting from an error in calculating compensated absences payable. Also, the beginning balance in the general long-term obligations account group for compensated absences was restated to \$512,744.

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

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Statutory Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

	<u>Excess</u>
General Fund:	
Refund of Prior Year's Receipts	\$123,939
Permanent Improvement Capital Projects Fund	
Refund of Prior Year's Receipts	\$14,264

B. Fund Deficits

At June 30, 1999, the following special revenue funds had deficit fund balances which were created by the application of generally accepted accounting principles.

Martha Holden Jennings Grant	(\$1,399)
Title I	(\$17,532)
Christa McAuliffe	(\$788)
Rural Professional Development Grant	(\$500)

The General Fund provides transfers to cover deficit balances/retained earnings; however, this is done when cash is needed rather than when accruals occur.

The Food Service Enterprise Fund had deficit retained earnings of \$76,256 due to the recognition of contributed capital and by the recognition of payables in accordance with generally accepted accounting principles.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$345,793)	\$29,773	\$0	\$113,026
Net Adjustment for Revenue Accruals	(182,380)	(24,383)	0	(355,716)
Net Adjustment for Expenditure Accruals	220,942	12,835	0	(122,242)
Principal Payments	0	0	(357,826)	0
Interest and Fiscal Charges	7,378	0	(14,322)	5,732
Advances In	0	0	0	50,000
Advances Out	(50,000)	0	0	0
Perspective Difference: Allocation of Revenue for Debt Payments	35,331	0	189,301	153,970
Encumbrances	<u>(485,147)</u>	<u>(64,033)</u>	<u>0</u>	<u>(33,789)</u>
Budget Basis	<u><u>(\$799,669)</u></u>	<u><u>(\$45,808)</u></u>	<u><u>(\$182,847)</u></u>	<u><u>(\$189,019)</u></u>

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses
All Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	(\$934)	(\$98,128)
Net Adjustment for Revenue Accrual	(20,753)	(1,042)
Net Adjustment for Expense Accrual	(12,590)	5,749
Depreciation Expense	11,009	0
Encumbrances	(1,868)	0
Budget Basis	(\$25,136)	(\$93,421)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Undeposited Cash: At year end, the School District had \$172 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Cash and Cash Equivalents".

Deposits: At year end, the carrying amount of the School District's deposits was \$44,269 and the bank balance was \$181,528. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$81,528 was uninsured and uncollateralized. Although all Ohio statutory requirements for the collateralization of deposits had been followed, non-compliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 could potentially prevent the District from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

Investments: The School District's investments are categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 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 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. For purposes of this note presentation, the School District's investment at June 30, 1999, was in a money market mutual fund and is not classified as to risk since the investment is not evidenced by securities that exist in physical or book entry form. The fair value is \$3,836,560.

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$3,881,001	\$0
Undeposited Cash	(172)	0
Investment:		
Mutual Fund	(3,836,560)	3,836,560
GASB Statement 3	\$44,269	\$3,836,560

NOTE 7 - PROPERTY TAXES

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

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

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

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

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, 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 Muskingum and Guernsey Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

NOTE 7 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$1,214,528 in the General Fund, and \$159,646 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 1998, was \$1,236,419 in the General Fund, and \$161,871 in the Permanent Improvement Capital Projects Fund.

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$103,709,830	76.68%	\$107,138,630	78.93%
Public Utility	17,426,450	12.89%	17,460,615	12.86%
Tangible Personal Property	14,109,410	10.43%	11,140,740	8.21%
Total Assessed Value	\$135,245,690	100%	\$135,739,985	100%
Tax Rate per \$1,000 of Assessed Valuation	\$37.01		\$37.01	

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, 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 intergovernmental receivables follows:

	Amounts
General Fund:	
State Foundation Adjustment	\$160,737
Other Reimbursements	18,538
Total	179,275
Special Revenue Funds:	
Telecom E-Rate	10,439
Title VI-B Grant	13,945
Total Special Revenue Funds	24,384
Emergency Repair Grant Capital Projects Fund:	50,000
Food Service Enterprise Fund:	
Federal Lunch Reimbursement	20,753
Total Intergovernmental Receivables	\$274,412

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

NOTE 9 - FIXED ASSETS

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

Furniture and Equipment	\$304,214
Less: Accumulated depreciation	<u>(215,635)</u>
Net Fixed Assets	<u><u>\$88,579</u></u>

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

	Balance at 06/30/98	Additions	Reductions	Balance at 06/30/99
Land	\$166,746	\$0	\$0	\$166,746
Buildings	9,601,010	816,310	0	10,417,320
Furniture, Fixtures and Equipment	1,776,793	492,465	2,426	2,266,832
Vehicles	<u>1,376,398</u>	<u>243,201</u>	<u>0</u>	<u>1,619,599</u>
Total	<u><u>\$12,920,947</u></u>	<u><u>\$1,551,976</u></u>	<u><u>\$2,426</u></u>	<u><u>\$14,470,497</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District had coverages as follows:

Property Insurance - Handschy-Graham-Taylor Agency, Utica National Insurance Group, and Hartford Steam Boiler Inspection and Insurance Company:

Building and Contents - replacement cost (\$1,000 deductible)	\$28,427,257 limit
Inland Marine (\$100 deductible)	500,000 limit
Equipment (\$1,000 deductible)	3,000,000 limit
Crime Insurance	25,000 limit
Forgery or Alteration	100,000 limit
Employee Dishonesty	100,000 limit

Fleet Insurance - Nationwide Insurance Company:

Automobile Liability - Bodily Injury/Property Damage	\$2,000,000 each accident
Uninsured Motorists	1,000,000 each accident
Collision	1,000,000 per accident
Liability Insurance	\$1,000,000 each occurrence 5,000,000 aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

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

NOTE 10 - RISK MANAGEMENT (Continued)

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Central Benefits serves as claims servicer for medical/surgical coverage and Core Source serves as claims servicer for dental coverage. The claims liability of \$188,257 reported in the internal service fund at June 30, 1999, 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. The estimate was not affected by the increased claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning Of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$160,451	\$668,112	\$646,056	\$182,507
1999	182,507	876,440	870,690	188,257

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$358,980, \$607,554 and \$636,713, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$58,489 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$102,158, \$143,217 and \$126,113, respectively; 30 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$71,776 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, 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, 1999, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$478,640 for fiscal year 1999.

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

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

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$102,278.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from Board policy and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Unused vacation time at the end of a fiscal year is not accumulated or carried forward to the next fiscal year. 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 180 days for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 40 days for all employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company.

C. Special Termination Benefit Payable

Employees who retire subsequent to June 30, 1998, are eligible for a special termination benefit. For every year of service credit with East Muskingum Local School District, up through ten years, employees are given one percent of their annual salary earned in the contract year of employment completed upon retirement. For every year of service credit with East Muskingum Local School District, between eleven and twenty years, employees are given one and one quarter percent of their annual salary earned in the contract year of employment completed upon retirement. For every year of service credit with East Muskingum Local School District, over twenty-one years, up through the final year of employment, employees are given one and one half percent of their annual salary earned in the contract year of employment completed upon retirement. Retiree's must notify the District by April 1 of each year as to their intent to retire and to apply for the special termination benefit. Payment of the special termination benefits is limited to five employees in each year based upon seniority. The benefit is paid in one lump sum at the time of retirement from the fund and function that pays the employees' salaries. The special termination benefit payable as of June 30, 1999, in the amount of \$56,950, is reflected on the combined balance sheet in the General Fund, and the expenditures are included in the Regular Instruction and the Support Services - Administration functions.

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

NOTE 14 - FUND OBLIGATIONS

During fiscal year 1999, the School District retired two tax anticipation notes and had one energy conservation note outstanding. The tax anticipation notes were a liability of the Permanent Improvement Capital Projects Fund and the Energy Conservation Note is a liability of the General Fund. Property tax revenues are being utilized for the payment of these obligations in the respective funds. The following table summarizes the note activity during fiscal year 1999:

	<u>Outstanding 06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/99</u>
Energy Conservation Note 4.95%	\$165,522	\$0	\$27,826	\$137,696
Tax Anticipation Notes: 3.6%	190,000	0	190,000	0
4.95%	<u>140,000</u>	<u>0</u>	<u>140,000</u>	<u>0</u>
Total Short-Term Obligations	<u>\$495,522</u>	<u>\$0</u>	<u>\$357,826</u>	<u>\$137,696</u>

Principal and interest requirements to retire the Energy Conservation Note outstanding at June 30, 1999 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$27,826	\$6,127	\$33,953
2001	27,826	4,750	32,576
2002	27,826	3,372	31,198
2003	27,826	1,995	29,821
2004	<u>26,392</u>	<u>654</u>	<u>27,046</u>
Total	<u>\$137,696</u>	<u>\$16,898</u>	<u>\$154,594</u>

NOTE 15 - LONG-TERM OBLIGATIONS

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

	<u>Restated Outstanding 06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/99</u>
Compensated Absences	\$512,744	\$272,519	\$160,841	\$624,422
Tax Refund Payable	0	166,652	138,202	28,450
Pension Obligation	<u>60,195</u>	<u>82,560</u>	<u>60,195</u>	<u>82,560</u>
Total Long-Term Obligations	<u>\$572,939</u>	<u>\$521,731</u>	<u>\$359,238</u>	<u>\$735,432</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The tax refund is an obligation for a repayment of taxes to Tennessee Gas Pipeline Company, a public utility company, for tax years 1991 and 1992. The repayment of taxes will be deducted from the real estate settlements during fiscal year 2000 from the Guernsey County Auditor. Payments of the tax refund are reflected in the General Fund and the Permanent Improvement Capital Projects Fund as Refund of Property Taxes.

The School District's overall legal debt margin was \$12,232,742 with an unvoted debt margin of \$135,740 at June 30, 1999.

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

NOTE 16 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999 consisted of an interfund receivable in the General Fund and an interfund payable in the Emergency Building Repair Capital Projects Fund in the amount of \$50,000 resulting from a negative cash balance.

NOTE 17 - 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 East Muskingum Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$447,985	\$20,151	\$468,136
Depreciation Expense	11,009	0	11,009
Operating Loss	(169,227)	(3,865)	(173,092)
Donated Commodities	40,668	0	40,668
Operating Grants	128,588	0	128,588
Investment Income	2,902	0	2,902
Net Income (Loss)	2,931	(3,865)	(934)
Net Working Capital	60,633	13,358	73,991
Total Assets	173,959	13,402	187,361
Total Equity	104,221	13,358	117,579
Encumbrances at June 30, 1999	623	1,245	1,868

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) - OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Tri-Rivers Educational Computer Association (TRECA) - TRECA is a not-for-profit computer service organization. The primary function of the TRECA is to provide information technology services to its Member School Districts with the major emphasis being placed on accounting, payroll and inventory control services. The TRECA is one of twenty-three regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). There are currently twenty-six consortium members (Member School Districts) in the Ohio counties of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot. These consortium members are comprised of public school districts and county educational service centers and are voting members of the TRECA. The Tri-Rivers Joint Vocational School serves as fiscal agent for the TRECA and performs certain functions that might otherwise be performed by the TRECA Board of Directors in order to ensure receipt of funds from the Ohio Education Computer Network. Essentially, these functions are to apply for and maintain the Data Acquisition Site permit for the central data processing equipment and to hold legal title to the central data processing equipment. The Tri-Rivers Educational Computer Association (TRECA) is located at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

Mid-East Ohio Vocational School District - The Mid-East Ohio 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 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The board controls the financial activity of the Joint Vocational School District and reports to the Ohio Department of Education and the Auditor of State of Ohio. To obtain financial information write to the Mid-East Ohio Vocational School, Cindy Nye, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

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 Plan (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.

NOTE 20 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$6,811,849 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

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

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$61,520	\$61,520
Current Year Set-aside Requirement	169,252	169,252	84,626	423,130
Designated Fund Balance	0	0	9,365	9,365
Current Year Offsets	(35,440)	(508,005)	0	(543,445)
Qualifying Disbursements	<u>(602,640)</u>	<u>(240,401)</u>	<u>0</u>	<u>(843,041)</u>
Total	<u>(\$468,828)</u>	<u>(\$579,154)</u>	<u>\$155,511</u>	<u>(\$892,471)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$155,511</u>	<u>\$155,511</u>

Although the School District had qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 22 - CONTINGENCIES

A. Grants

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

B. Litigation

The School District is currently not a party to any legal proceedings.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity's Number	Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
United States Department of Agriculture						
<i>Passed-through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	10.550	NA	\$0	\$40,668	\$0	\$40,283
School Breakfast Program	10.553	048835-05-PU-98/99	6,804	0	6,804	0
National School Lunch Program	10.555	048835-03-PU-98/99 / 04-PU-98/99	95,481	0	95,481	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			102,285	40,668	102,285	40,283
Federal Emergency Management Agency						
<i>Passed-through the Ohio Department of Public Safety:</i>						
Disaster Assistance	83.544	NA	25,164	0	25,164	0
Total Federal Emergency Management Agency			25,164	0	25,164	0
United States Department of Labor						
<i>Passed-through the Ohio Department of Education:</i>						
Employment Services and Job Training Pilot Program	17.249	048835-WK-BE-98	7,567	0	6,474	0
Total U.S. Department of Labor			7,567	0	6,474	0
United States Department of Education						
<i>Passed-through the Ohio Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	048835-C1-S1-98 / 98C / 99	349,259	0	344,398	0
Special Education - Grants to States	84.027	048835-6B-SF-97P / 98P	72,015	0	70,510	0
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	048835-G2-A2-99 / G2-SP-99	4,846	0	1,970	0
Eisenhower Professional Development State Grants	84.281	048835-MS-S1-99	16,483	0	10,140	0
Innovative Education Program Strategies	84.298	048835-C2-S1-99	9,085	0	3,273	0
<i>Direct Program:</i>						
Telecommunications Act Grant	84.XXX	NA	23,050	0	23,050	0
Total U.S. Department of Education			474,738	0	453,341	0
Total Federal Awards Receipts and Expenditures			<u>\$609,754</u>	<u>\$40,668</u>	<u>\$587,264</u>	<u>\$40,283</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

East Muskingum Local School District
Muskingum County
13505 John Glenn School Road
New Concord, Ohio 43762-9702

To Members of the Board:

We have audited the general purpose financial statements of the East Muskingum Local School District, Muskingum County, Ohio, (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated February 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated February 17, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated February 17, 2000.

East Muskingum Local School District
Muskingum County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page -2-

This report is intended 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.

Jim Petro
Auditor of State

February 17, 2000



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

East Muskingum Local School District
Muskingum County
13505 John Glenn School Road
New Concord, Ohio 43762-9702

To Members of the Board:

Compliance

We have audited the compliance of the East Muskingum Local School District, Muskingum County, Ohio, (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The School 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 its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the 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, 1999.

Internal Control over Compliance

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

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

This report is intended for the information and use of management, 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.

Jim Petro
Auditor of State

February 17, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A, IASA
(d)(1)(viii)	Dollar Threshold: Type AIB 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**

There were no findings related to the financial statements required to be reported herein.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards that were required to be reported herein.



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OFFICE OF THE AUDITOR

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EAST MUSKINGUM LOCAL SCHOOL DISTRICT

MUSKINGUM 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
MARCH 28, 2000**