

MORGAN LOCAL SCHOOL DISTRICT

ANNUAL REPORT
YEAR ENDED JUNE 30, 1999

WOLFE, WILSON & PHILLIPS, INC.
CERTIFIED PUBLIC ACCOUNTANTS

MORGAN LOCAL SCHOOL DISTRICT

ANNUAL REPORT
YEAR ENDED JUNE 30, 1999

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Elected Officials	(i)
Administrative Personnel	(ii)
Index of Funds	(iii-iv)
Independent Auditors' Report	1-2
Combined Balance Sheet – All Fund Types and Account Group	4-5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types	7-10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All proprietary Fund Types and Similar Trust Fund	11
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Similar Trust Fund	12-14
Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Fund	15-16
Notes to Financial Statements	17-48
Schedule of Federal Awards Expenditures	49-50
Notes to Schedule of Federal Awards Expenditures	51
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	52-53
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .	54-55
Schedule of Findings and Questioned Costs	56
Data Collection Form	

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

ELECTED OFFICIALS
AS OF JUNE 30, 1999

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
<u>Board of Education</u>		
Steve Inman	President	1/1/98 to 12/31/01
Carl Dodrill	Vice-President	1/1/96 to 12/31/99
David Copeland	Member	1/1/98 to 12/31/00
Jeffrey Shaner	Member	1/1/98 to 12/31/00
Mary Pat Hanson	Member	1/1/96 to 12/31/99

Legal Counsel

Richard Ross, Prosecuting Attorney
109 East Main Street
McConnelsville, Ohio 43756

Entity Address

Morgan Local School District
P.O. Box 509
McConnelsville, Ohio 43756

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999

<u>TITLE/ NAME</u>	<u>CONTRACT PERIOD</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<u>Superintendent</u>				
Herbert Young	8/1/97 to 7/31/00		\$20,000	8/1/97-7/31/98
<u>Treasurer</u>				
Susan Gable	2/19/98 to Org. Mtg, 2001 (A)		\$20,000	1/1/98-6/30/98

(A) Ohio Farmers Insurance Company

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES

General Fund

General Fund

Special Revenue Funds:

Textbook Subsidy Fund

Jennings Grant Fund

Public School Support Fund

Athletics Fund

Career Development Fund

Teacher Development Fund

Financial Literacy Grant

Education Management Information Systems Fund

Disadvantaged Pupil Impact Aid Fund

Dwight D. Eisenhower Grant Fund

Title VI-B Special Education: Assistance to States for
Education of Handicapped Children Fund

Title I - Special Educational Needs of Disadvantaged Children Fund

Title VI - Elementary and Secondary Education Act Block Grant Fund

Drug-Free Schools Fund

Special Education – Preschool Grant Fund

Goals 2000

Appalachian Regional Commission Grant Fund

Comprehensive School Reform Fund

School to Work Grant Fund

Debt Service Fund:

Bond Retirement Fund

Capital Projects Fund:

Permanent Improvement Fund

School Net Fund

Technology Equity fund

Arc Grant Fund

PROPRIETARY FUND TYPE

Enterprise Funds:

Food Service Fund

Uniform School Supplies Fund

Rotary House Grant

Internal Service Fund

Employee Benefits Self-Insurance Fund

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

INDEX OF FUNDS
(Continued)

FIDUCIARY FUND TYPES

Expendable Trust Funds:
Special Trust Funds

Non-Expendable Trust Fund:
Endowment Fund

Agency Funds:
Student Managed Activity Funds



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

Board of Education
Morgan Local School District
McConnelsville, Ohio 43756

We have reviewed the independent auditor's report of the Morgan Local School District, Morgan County, prepared by Wolfe, Wilson & Phillips, Inc., Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

January 7, 2000

WOLFE, WILSON, & PHILLIPS, INC.
CERTIFIED PUBLIC ACCOUNTANTS
37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701
(740) 453-9600 • FAX - (740) 453-9763

INDEPENDENT AUDITORS' REPORT

Board of Education
Morgan Local School District
P.O. Box 509
McConnelsville, Ohio 43756

We have audited the accompanying general-purpose financial statements of Morgan Local School District, as of and for the year ended June 30, 1999. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standard 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 financial statements referred to above present fairly, in all material respects, the financial position of the Morgan Local School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year than ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements of the District taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purpose 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 financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.

Brad Wolfe, J.D., M.B.A., CPA
Joseph W. Wilson, M.B.A., CPA, CMA
Kenneth B. Phillips, CPA

Morgan Local School District
Independent Auditors' Report
Page -2-

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 1999, on our consideration of the Morgan Local School District's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Wolfe, Wilson & Phillips, Inc.

Zanesville, Ohio
November 16, 1999

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

“THIS PAGE INTENTIONALLY LEFT BLANK”

Morgan Local School District, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$1,319,493	\$441,042	\$14,829	\$48,967
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Investments	0	0	0	0
Receivables:				
Property Taxes	3,496,086	0	207,874	0
Accounts	16,361	0	0	0
Intergovernmental	27,379	17,327	0	0
Accrued Interest	0	0	0	0
Interfund Receivable	32,588	0	0	0
Due from Other Funds	696	0	2,815	0
Materials and Supplies Inventory	62,869	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	103,010	5,826	0	0
Restricted Assets:				
Cash and Cash Equivalents	568,277	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$5,626,759	\$464,195	\$225,518	\$48,967
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$41,434	\$5,505	\$0	\$0
Accrued Salaries and Benefits Payable	1,464,683	119,802	0	0
Intergovernmental Payable	426,064	17,719	0	0
Interfund Payable	0	31,317	0	359
Due to Other Funds	2,815	0	0	0
Due to Students	0	0	0	0
Deferred Revenue	3,477,762	0	207,874	0
Accrued Interest Payable	0	0	2,815	0
Compensated Absences Payable	3,177	65	0	0
Claims Payable	0	0	0	0
Tax Refund Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
School Bus Bonds	0	0	0	0
Energy Conservation Long-Term Note	0	0	0	0
Energy Conservation Improvement Bonds	0	0	0	0
Total Liabilities	5,415,935	174,408	210,689	359
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficits)	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	144,049	47,553	0	24,910
Reserved for Budget Stabilization	160,639	0	0	0
Reserved for Bus Purchase	407,638	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Inventory	62,869	0	0	0
Reserved for Property Taxes	18,324	0	0	0
Designated	634	0	0	0
Unreserved, Undesignated (Deficit)	(583,329)	242,234	14,829	23,698
Total Fund Equity (Deficits) and Other Credits	210,824	289,787	14,829	48,608
Total Liabilities, Fund Equity and Other Credits	\$5,626,759	\$464,195	\$225,518	\$48,967

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$5,513	\$80,282	\$57,209	\$0	\$0	\$1,967,335
0	73,415	696	0	0	74,111
0	0	100,000	0	0	100,000
0	0	0	0	0	3,703,960
0	951	0	0	0	17,312
45,007	0	0	0	0	89,713
0	0	2,305	0	0	2,305
0	0	0	0	0	32,588
0	0	0	0	0	3,511
1,643	0	0	0	0	64,512
13,716	0	0	0	0	13,716
6,181	14,416	0	0	0	129,433
0	0	0	0	0	568,277
533	0	0	10,030,238	0	10,030,771
0	0	0	0	14,829	14,829
0	0	0	0	3,144,813	3,144,813
<u>\$72,593</u>	<u>\$169,064</u>	<u>\$160,210</u>	<u>\$10,030,238</u>	<u>\$3,159,642</u>	<u>\$19,957,186</u>
\$0	\$270	\$12	\$0	\$0	\$47,221
61,614	0	0	0	0	1,646,099
45,498	0	0	0	107,972	597,253
0	0	912	0	0	32,588
0	0	696	0	0	3,511
0	0	47,159	0	0	47,159
9,432	96,361	0	0	0	3,791,429
0	0	0	0	0	2,815
24,511	0	0	0	1,042,958	1,070,711
0	159,504	0	0	0	159,504
0	0	0	0	71,725	71,725
0	0	0	0	119,848	119,848
0	0	0	0	1,245,000	1,245,000
0	0	0	0	256,383	256,383
0	0	0	0	315,756	315,756
<u>141,055</u>	<u>256,135</u>	<u>48,779</u>	<u>0</u>	<u>3,159,642</u>	<u>9,407,002</u>
0	0	0	10,030,238	0	10,030,238
(68,462)	(87,071)	0	0	0	(155,533)
0	0	0	0	0	216,512
0	0	0	0	0	160,639
0	0	0	0	0	407,638
0	0	100,000	0	0	100,000
0	0	0	0	0	62,869
0	0	0	0	0	18,324
0	0	0	0	0	634
0	0	11,431	0	0	(291,137)
<u>(68,462)</u>	<u>(87,071)</u>	<u>111,431</u>	<u>10,030,238</u>	<u>0</u>	<u>10,550,184</u>
<u>\$72,593</u>	<u>\$169,064</u>	<u>\$160,210</u>	<u>\$10,030,238</u>	<u>\$3,159,642</u>	<u>\$19,957,186</u>

Morgan Local School District, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$3,332,121	\$0	\$128,711	\$0	\$3,460,832
Intergovernmental	8,769,851	1,724,269	0	128,602	10,622,722
Interest	177,036	0	0	0	177,036
Tuition and Fees	59,288	0	0	0	59,288
Rent	2,874	0	0	0	2,874
Charges for Services	16,119	0	0	0	16,119
Extracurricular Activities	0	89,238	0	0	89,238
Gifts and Donations	500	7,507	0	0	8,007
Miscellaneous	67,159	0	0	0	67,159
Total Revenues	12,424,948	1,821,014	128,711	128,602	14,503,275
Expenditures:					
Current:					
Instruction:					
Regular	5,053,375	561,195	0	19,010	5,633,580
Special	1,154,608	732,782	0	0	1,887,390
Vocational	1,034,182	32,860	0	0	1,067,042
Adult/Continuing	420	0	0	0	420
Other	70,871	0	0	0	70,871
Support Services:					
Pupils	450,379	58,719	0	0	509,098
Instructional Staff	362,181	192,589	0	0	554,770
Board of Education	55,645	0	0	0	55,645
Administration	1,238,626	94,884	0	0	1,333,510
Fiscal	375,557	262	0	0	375,819
Business	105,216	9	0	0	105,225
Operation and Maintenance of Plant	1,049,744	6,000	0	0	1,055,744
Pupil Transportation	1,722,525	1,641	0	0	1,724,166
Central	69,429	0	0	3,839	73,268
Extracurricular Activities	164,741	68,476	0	0	233,217
Capital Outlay	123,212	6,392	0	296,750	426,354
Refund of Taxes	17,932	0	0	0	17,932
Debt Service:					
Principal Retirement	38,620	8,557	73,028	0	120,205
Interest and Fiscal Charges	4,443	1,260	55,683	0	61,386
Total Expenditures	13,091,706	1,765,626	128,711	319,599	15,305,642
Excess of Revenues Over (Under) Expenditures	(666,758)	55,388	0	(190,997)	(802,367)
Other Financing Sources (Uses):					
Proceeds of Bonds	1,245,000	0	0	0	1,245,000
Operating Transfers Out	(100,000)	0	0	0	(100,000)
Total Other Financing Sources (Uses)	1,145,000	0	0	0	1,145,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	478,242	55,388	0	(190,997)	342,633
Fund Balances (Deficit) at Beginning of Year	(320,899)	234,399	14,829	239,605	167,934
Increase in Reserve for Inventory	53,481	0	0	0	53,481
Fund Balances at End of Year	\$210,824	\$289,787	\$14,829	\$48,608	\$564,048

See accompanying notes to the general purpose financial statements

Morgan Local School District, Ohio
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 Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$3,682,261	\$3,442,617	(\$239,644)
Intergovernmental	8,154,801	8,781,066	626,265
Interest	139,193	179,725	40,532
Tuition and Fees	76,221	62,015	(14,206)
Rent	2,553	2,695	142
Charges for Services	9,735	11,920	2,185
Extracurricular Activities	0	0	0
Gifts and Donations	510	500	(10)
Miscellaneous	43,515	66,799	23,284
Total Revenues	12,108,789	12,547,337	438,548
Expenditures:			
Current:			
Instruction:			
Regular	5,419,317	5,190,707	228,610
Special	1,139,954	1,134,892	5,062
Vocational	968,771	1,015,816	(47,045)
Adult/Continuing	1,536	426	1,110
Other	76,449	75,906	543
Support Services:			
Pupils	329,082	475,599	(146,517)
Instructional Staff	572,751	353,360	219,391
Board of Education	65,396	63,306	2,090
Administration	1,111,827	1,218,849	(107,022)
Fiscal	407,681	403,385	4,296
Business	95,607	108,608	(13,001)
Operation and Maintenance of Plant	1,041,522	1,095,961	(54,439)
Pupil Transportation	1,748,805	1,761,676	(12,871)
Central	53,695	67,225	(13,530)
Extracurricular Activities	156,760	163,776	(7,016)
Capital Outlay	147,266	146,247	1,019
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	13,336,419	13,275,739	60,680
Excess of Revenues Over (Under)			
Expenditures	(1,227,630)	(728,402)	499,228
Other Financing Sources (Uses):			
Proceeds of Bonds	749,507	1,245,000	495,493
Advances In	44,976	38,019	(6,957)
Operating Transfer Out	(105,142)	(100,000)	5,142
Advances Out	(87,896)	(31,675)	56,221
Total Other Financing Sources (Uses)	601,445	1,151,344	549,899
Excess of Revenues and Other			
Financing Sources Over (Under)			
Expenditures and Other Financing Uses	(626,185)	422,942	1,049,127
Fund Balances at Beginning of Year	886,348	886,348	0
Prior Year Encumbrances Appropriated	380,941	380,941	0
Fund Balances at End of Year	\$641,104	\$1,690,231	\$1,049,127

(Continued)

Morgan Local School District, Ohio
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)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$0	\$0	\$0
Intergovernmental	1,781,427	1,719,880	(61,547)
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Charges for Services	0	0	0
Extracurricular Activities	94,310	89,424	(4,886)
Gifts and Donations	7,507	7,507	0
Miscellaneous	0	0	0
Total Revenues	1,883,244	1,816,811	(66,433)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	662,384	575,431	86,953
Special	1,011,318	770,572	240,746
Vocational	49,219	49,075	144
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	61,713	58,713	3,000
Instructional Staff	224,944	197,259	27,685
Board of Education	0	0	0
Administration	113,035	96,096	16,939
Fiscal	262	262	0
Business	101	101	0
Operation and Maintenance of Plant	6,000	6,000	0
Pupil Transportation	1,641	1,641	0
Central	0	0	0
Extracurricular Activities	86,339	71,759	14,580
Capital Outlay	14,500	13,833	667
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	2,231,456	1,840,742	390,714
Excess of Revenues Over (Under)			
Expenditures	(348,212)	(23,931)	324,281
<u>Other Financing Sources (Uses):</u>			
Proceeds of Bonds	0	0	0
Advances In	12,656	31,316	18,660
Operating Transfer Out	0	0	0
Advances Out	0	(23,079)	(23,079)
Total Other Financing Sources (Uses)	12,656	8,237	(4,419)
Excess of Revenues and Other			
Financing Sources Over (Under)			
Expenditures and Other Financing Uses	(335,556)	(15,694)	319,862
Fund Balances at Beginning of Year	326,373	326,373	0
Prior Year Encumbrances Appropriated	78,095	78,095	0
Fund Balances at End of Year	\$68,912	\$388,774	\$319,862

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$128,711	\$128,711	\$0	\$0	\$0	\$0
0	0	0	577,150	128,602	(448,548)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
128,711	128,711	0	577,150	128,602	(448,548)
0	0	0	348,048	328,404	19,644
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	499,000	35,871	463,129
0	0	0	0	0	0
0	0	0	8,252	3,839	4,413
0	0	0	0	0	0
0	0	0	0	0	0
73,028	73,028	0	0	0	0
55,683	55,683	0	0	0	0
128,711	128,711	0	855,300	368,114	487,186
0	0	0	(278,150)	(239,512)	38,638
0	0	0	0	0	0
0	0	0	0	359	359
0	0	0	0	0	0
0	0	0	0	(14,940)	(14,940)
0	0	0	0	(14,581)	(14,581)
0	0	0	(278,150)	(254,093)	24,057
0	0	0	138,092	138,092	0
14,829	14,829	0	140,058	140,058	0
\$14,829	\$14,829	\$0	\$0	\$24,057	\$24,057

(Continued)

Morgan Local School District, Ohio
 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)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$3,810,972	\$3,571,328	(\$239,644)
Intergovernmental	10,513,378	10,629,548	116,170
Interest	139,193	179,725	40,532
Tuition and Fees	76,221	62,015	(14,206)
Rent	2,553	2,695	142
Charges for Services	9,735	11,920	2,185
Extracurricular Activities	94,310	89,424	(4,886)
Gifts and Donations	8,017	8,007	(10)
Miscellaneous	43,515	66,799	23,284
Total Revenues	14,697,894	14,621,461	(76,433)
Expenditures:			
Current:			
Instruction:			
Regular	6,429,749	6,094,542	335,207
Special	2,151,272	1,905,464	245,808
Vocational	1,017,990	1,064,891	(46,901)
Adult/Continuing	1,536	426	1,110
Other	76,449	75,906	543
Support Services:			
Pupils	390,795	534,312	(143,517)
Instructional Staff	797,695	550,619	247,076
Board of Education	65,396	63,306	2,090
Administration	1,224,862	1,314,945	(90,083)
Fiscal	407,943	403,647	4,296
Business	95,708	108,709	(13,001)
Operation and Maintenance of Plant	1,546,522	1,137,832	408,690
Pupil Transportation	1,750,446	1,763,317	(12,871)
Central	61,947	71,064	(9,117)
Extracurricular Activities	243,099	235,535	7,564
Capital Outlay	161,766	160,080	1,686
Debt Service:			
Principal Retirement	73,028	73,028	0
Interest and Fiscal Charges	55,683	55,683	0
Total Expenditures	16,551,886	15,613,306	938,580
Excess of Revenues Over (Under) Expenditures	(1,853,992)	(991,845)	862,147
Other Financing Sources (Uses):			
Proceeds of Bonds	749,507	1,245,000	495,493
Advances In	57,632	69,694	12,062
Operating Transfer Out	(105,142)	(100,000)	5,142
Advances Out	(87,896)	(69,694)	18,202
Total Other Financing Sources (Uses)	614,101	1,145,000	530,899
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,239,891)	153,155	1,393,046
Fund Balances at Beginning of Year	1,350,813	1,350,813	0
Prior Year Encumbrances Appropriated	613,923	613,923	0
Fund Balances at End of Year	\$724,845	\$2,117,891	\$1,393,046

See accompanying notes to the general purpose financial statements

Morgan Local School District, Ohio
Combined Statement of Revenues,
Expenses and Changes in Retained Earnings/Fund Balance
All Proprietary Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Revenues:				
Sales	\$369,211	\$0	\$0	\$369,211
Charges for Services	0	1,071,133	0	1,071,133
Interest Income	0	0	5,407	5,407
Other Operating Revenues	0	411	0	411
Total Revenues	369,211	1,071,544	5,407	1,446,162
Expenses:				
Salaries	279,116	0	0	279,116
Fringe Benefits	122,963	0	0	122,963
Purchased Services	412	147,782	0	148,194
Materials and Supplies	22,141	0	0	22,141
Cost of Sales	317,864	0	0	317,864
Claims	0	1,043,071	0	1,043,071
Depreciation	925	0	0	925
Other	0	0	3,600	3,600
Total Expenses	743,421	1,190,853	3,600	1,937,874
Operating Income (Loss)	(374,210)	(119,309)	1,807	(491,712)
Non-Operating Revenues:				
Federal Donated Commodities	51,494	0	0	51,494
Interest Income	198	0	0	198
Federal and State Subsidies	293,873	0	0	293,873
Total Non-Operating Revenues	345,565	0	0	345,565
Net Income (Loss) before Operating Transfers	(28,645)	(119,309)	1,807	(146,147)
Operating Transfers In	25,000	75,000	0	100,000
Net Income (Loss) after Operating Transfers	(3,645)	(44,309)	1,807	(46,147)
Retained Earnings (Deficits)/Fund Balance at Beginning of the Year	(64,817)	(42,762)	109,624	2,045
Retained Earnings (Deficits)/Fund Balance at End of Year	(\$68,462)	(\$87,071)	\$111,431	(\$44,102)

See accompanying notes to the general purpose financial statements

Morgan Local School District, Ohio
Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
All Proprietary Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$371,700	\$369,231	(\$2,469)
Charges for Services	0	0	0
Interest Income	0	198	198
Federal and State Subsidies	271,300	248,866	(22,434)
Total Revenues	643,000	618,295	(24,705)
Expenses:			
Salaries	279,310	279,310	0
Fringe Benefits	126,030	126,030	0
Purchased Services	412	412	0
Materials and Supplies	289,272	288,744	528
Capital Outlay	800	293	507
Other	0	0	0
Total Expenses	695,824	694,789	1,035
Excess of Revenues Over (Under) Expenses	(52,824)	(76,494)	(23,670)
Operating Transfers In	0	25,000	25,000
Excess of Revenues Over (Under) Expenses and Operating Transfers In	(52,824)	(51,494)	1,330
Fund Equity at Beginning of Year	56,493	56,493	0
Prior Year Encumbrances Appropriated	501	501	0
Fund Equity at End of Year	\$4,170	\$5,500	\$1,330

Internal Service Fund			Non-Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
1,400,000	1,167,415	(232,585)	0	0	0
0	0	0	5,500	3,641	(1,859)
0	0	0	0	0	0
<u>1,400,000</u>	<u>1,167,415</u>	<u>(232,585)</u>	<u>5,500</u>	<u>3,641</u>	<u>(1,859)</u>
0	0	0	0	0	0
1,475,000	1,454,395	20,605	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	14,000	3,600	10,400
<u>1,475,000</u>	<u>1,454,395</u>	<u>20,605</u>	<u>14,000</u>	<u>3,600</u>	<u>10,400</u>
(75,000)	(286,980)	(211,980)	(8,500)	41	8,541
0	75,000	75,000	0	0	0
(75,000)	(211,980)	(136,980)	(8,500)	41	8,541
225,764	225,764	0	109,085	109,085	0
0	0	0	0	0	0
<u>\$150,764</u>	<u>\$13,784</u>	<u>(\$136,980)</u>	<u>\$100,585</u>	<u>\$109,126</u>	<u>\$8,541</u>

(Continued)

Morgan Local School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$371,700	\$369,231	(\$2,469)
Charges for Services	1,400,000	1,167,415	(232,585)
Interest Income	5,500	3,839	(1,661)
Federal and State Subsidies	271,300	248,866	(22,434)
Total Revenues	2,048,500	1,789,351	(259,149)
<u>Expenses:</u>			
Salaries	279,310	279,310	0
Fringe Benefits	1,601,030	1,580,425	20,605
Purchased Services	412	412	0
Materials and Supplies	289,272	288,744	528
Capital Outlay	800	293	507
Other	14,000	3,600	10,400
Total Expenses	2,184,824	2,152,784	32,040
Excess of Revenues Over (Under) Expenses	(136,324)	(363,433)	(227,109)
Operating Transfers In	0	100,000	100,000
Excess of Revenues Over (Under) Expenses and Operating Transfers In	(136,324)	(263,433)	(127,109)
Fund Equity at Beginning of Year	391,342	391,342	0
Prior Year Encumbrances Appropriated	501	501	0
Fund Equity at End of Year	\$255,519	\$128,410	(\$127,109)

See accompanying notes to the general purpose financial statements

Morgan Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Sales	\$369,231	\$0	\$0	\$369,231
Cash Received from Quasi-External Transactions with Other Funds	0	1,167,415	0	1,167,415
Cash Payments for Employee Services and Benefits	(405,340)	0	0	(405,340)
Cash Payments to Suppliers for Goods and Services	(289,436)	(162,389)	0	(451,825)
Cash Payments for Claims	0	(1,155,032)	0	(1,155,032)
Other Operating Expenses	0	0	(3,600)	(3,600)
Net Cash Used for Operating Activities	<u>(325,545)</u>	<u>(150,006)</u>	<u>(3,600)</u>	<u>(479,151)</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Operating Transfers In	25,000	75,000	0	100,000
Operating Grants Received	248,866	0	0	248,866
Net Cash Provided by Noncapital Financing Activities	<u>273,866</u>	<u>75,000</u>	<u>0</u>	<u>348,866</u>
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	0	360	360
Interest on Investments	198	0	3,641	3,839
Net Cash Provided by Investing Activities	<u>198</u>	<u>0</u>	<u>4,001</u>	<u>4,199</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(51,481)	(75,006)	401	(126,086)
Cash and Cash Equivalents Beginning of Year	56,994	228,703	8,725	294,422
Cash and Cash Equivalents End of Year	<u>\$5,513</u>	<u>\$153,697</u>	<u>\$9,126</u>	<u>\$168,336</u>

(Continued)

Morgan Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 1999
 (Continued)

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
Reconciliation of Operating Income (Loss) to Net Cash <u>Used for Operating Activities:</u>				
Operating Income (Loss)	(\$374,210)	(\$119,309)	\$1,807	(\$491,712)
Adjustments to Reconcile Operating Income <u>(Loss) to Net Cash Used for Operating Activities:</u>				
Depreciation	925	0	0	925
Donated Commodities Used During the Year	51,494	0	0	51,494
Interest	0	0	(5,407)	(5,407)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	20	(951)	0	(931)
Increase in Prepaid Items	(5,263)	(14,416)	0	(19,679)
Increase in Materials and Supplies Inventory	(88)	0	0	(88)
Increase in Inventory Held for Resale	(425)	0	0	(425)
Increase in Accounts Payable	0	270	0	270
Increase in Accrued Salaries and Benefits Payable	2,349	0	0	2,349
Increase in Intergovernmental Payable	2,540	0	0	2,540
Increase in Deferred Revenue	0	96,361	0	96,361
Decrease in Compensated Absences	(2,887)	0	0	(2,887)
Decrease in Claims Payable	0	(111,961)	0	(111,961)
Net Cash Used for Operating Activities	<u>(\$325,545)</u>	<u>(\$150,006)</u>	<u>(\$3,600)</u>	<u>(\$479,151)</u>
Cash and Cash Equivalents - All Fiduciary Funds		\$57,905		
Cash and Cash Equivalents - Agency Funds		<u>(48,779)</u>		
Cash and Cash Equivalents - Non-Expendable Trust Fund		<u>\$9,126</u>		

See accompanying notes to the general purpose financial statements

Morgan Local School District, Ohio
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

Morgan 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.

Morgan Local School District is a countywide school district located in Morgan County, in the heart of Southeast Ohio, the Appalachian region of the State. The School District is nestled between Zanesville and Marietta on the scenic Muskingum River. Incorporating all of Morgan County's 421 square miles, the School District is, in terms of physical size, the third largest district in Ohio. The county is substantially rural with a population of 14,000.

The School District is a consolidation of seven small communities. Each community had a kindergarten through 12th grade building. In 1966, a consolidated high school was built to serve Morgan County and the seven different community buildings were converted to kindergarten through 8th grade buildings. The newest of the seven elementary buildings was built in 1935. The other buildings were built in the 1920's or earlier with the oldest building being built in the 1890's.

The School District is staffed by 124 classified employees, 189 certificated full-time teaching personnel, and 13 administrative employees who provide services to 2,448 students and other community members. The School District currently operates eight instructional buildings, one administrative office site, and one 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 Morgan Local School District, this includes general operations, food service, preschool, vocational instruction, 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 jointly governed organizations and one insurance purchasing pools. These organizations are the Southeast Ohio Voluntary Educational Consortium, the Coalition of Rural and Appalachian Schools, 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.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Morgan 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 as follows:

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include a non-expendable trust fund and agency funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds; the principal of the trust must be preserved intact. 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.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental 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.

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 Data

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.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Morgan County Budget Commission for rate determination.

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution 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. 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.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds 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's records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio and nonparticipating certificates of deposit.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999. The nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$177,036, which includes \$55,826 assigned from other School District funds.

The School District has a segregated bank account for a portion of the self insurance internal service fund and the payroll monies held separate from the School District's central bank account. These depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside to create a reserve for budget stabilization. See Note 20 for the calculation of the year end restricted asset balance and the corresponding fund reserves.

H. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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

 Special Revenue Funds

 Disadvantage Pupil Impact Aid

Non-Reimbursable Grants

 Special Revenue Funds

 Career Development
 Comprehensive School Reform
 Drug-Free Schools
 Education Management Information Systems
 Eisenhower
 Equity in School to Work
 Financial Literacy Grant
 Instructional Material Subsidy
 Intervention Grant
 Public Preschool Grant
 Service Learning Grant
 Special Education Transition Funding
 Teacher Development
 Textbook Subsidy
 Title I
 Title VI
 Title VI-B
 Venture Capital
 Vocational Education

 Capital Projects Funds

 SchoolNet
 Technology Equity
 Video Distance Learning

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reimbursable Grants
 General Fund
 Driver Education
 Special Revenue Funds
 Appalachian Rural Systemic Initiative
 Capital Project Funds
 Appalachian Regional Commission
 Emergency Building Repair
 Proprietary Funds
 National School Lunch Program
 National School Breakfast Program
 Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately seventy-three percent of the governmental fund revenue during the 1999 fiscal year.

J. 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".

K. Compensated Absences

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

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

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, 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. In general, payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds, the long-term note, capital leases, and the tax refund payable 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.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures 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 in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

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

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

O. Designated Fund Balance

The School District has a fund balance designation on the balance sheet for additional money above the reserve for budget stabilization required by State statute.

P. 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.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

The School District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plans through the Ohio Public Employees Deferred Compensation Board. On September 1, 1998, the Ohio Public Employees Deferred Compensation Board created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees Deferred Compensation Board deferred compensation plan is no longer presented on the financial statements of the School District.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits:

The following funds had deficit fund balances/retained earnings as of June 30, 1999:

	Deficit Fund Balances/ <u>Retained Earnings</u>
<u>Special Revenue Fund:</u>	
Appalachian Rural Systemic Initiative	\$19,677
<u>Capital Projects Fund:</u>	
Emergency Repair	359
<u>Enterprise Fund:</u>	
Food Service	72,162
<u>Internal Service Fund:</u>	
Employee Benefits Self-Insurance	87,071

The deficits are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles. The general fund provides transfers to cover deficit balances in the special revenue, capital projects, and internal service funds; however, this is done when cash is needed rather than when accruals occur.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

B. Legal Compliance

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

	<u>Excess</u>
<u>General Fund:</u>	
General	
Instruction	
Regular Instruction	
Materials and Supplies	\$1,690
Special Instruction	
Salaries	3,593
Vocational	
Salaries	37,934
Fringe Benefits	10,392
Capital Outlay - New	3,674
Capital Outlay - Replacement	520
Support Services	
Pupils	
Salaries	135,568
Fringes	7,581
Purchased Services	3,431
Instructional Staff	
Fringes	20,869
Purchased Services	2,006
Board of Education	
Fringe Benefits	59
Other	139
Administration	
Salaries	76,276
Fringe Benefits	30,522
Purchased Services	2,478
Materials and Supplies	616
Capital Outlay - Replacement	399
Fiscal	
Salaries	13,259
Capital Outlay - New	925
Business	
Salaries	11,009
Fringe Benefits	1,670
Materials and Supplies	540

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

<u>General</u> (continued)	<u>Excess</u>
Operation and Maintenance of Plant	
Salaries	\$43,109
Fringe Benefits	4,713
Purchased Services	3,438
Capital Outlay - New	11,166
Capital Outlay - Replacement	4,393
Other	524
Pupil Transportation	
Salaries	33,892
Materials and Supplies	2,914
Central	
Salaries	12,367
Fringe Benefits	717
Purchased Services	446
Extracurricular Activities	
Academic Oriented Activities	
Salaries	583
Fringe Benefits	58
Sport Oriented Activities	
Salaries	9,774
Fringe Benefits	687

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

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 and Similar Trust Fund 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).

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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).

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$478,242	\$55,388	(\$190,997)
Revenue Accruals	122,389	(4,203)	0
Expenditure Accruals	60,829	(18,553)	(23,605)
Prepaid Items	(78,887)	(4,414)	0
Advances In	38,019	31,316	359
Advances Out	(31,675)	(23,079)	(14,940)
Encumbrances	(165,975)	(52,149)	(24,910)
Budget Basis	\$422,942	(\$15,694)	(\$254,093)

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
All Proprietary Fund Types and
Similar Trust Fund

	Enterprise	Internal Service	Non- Expendable Trust
GAAP Basis	(\$3,645)	(\$44,309)	\$1,807
Revenue Accrual	(44,987)	22,456	(1,766)
Expense Accrual	2,002	(151,662)	0
Prepaid Items	(5,263)	(14,416)	0
Materials and Supplies Inventory	(88)	0	0
Inventory Held for Resale	(425)	0	0
Depreciation Expense	925	0	0
Encumbrances	(13)	(24,049)	0
Budget Basis	(\$51,494)	(\$211,980)	\$41

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

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

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

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Protection of 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 to be deposited or invested in the following securities:

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

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

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$2,708,771 and the bank balance was \$3,119,837. Of the bank balance, \$273,415 was covered by federal depository insurance and \$2,846,422 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered 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 which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAR Ohio	\$952

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, "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 classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,609,723	\$100,000
Investments of the Cash Management Pool:		
Certificates of Deposit	100,000	(100,000)
STAR Ohio	(952)	952
GASB Statement 3	\$2,708,771	\$952

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 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	\$106,921,730	67.0%	\$108,235,140	69.5%
Public Utility	21,645,150	13.5	21,059,010	13.5
Tangible Personal Property	31,057,646	19.5	26,543,219	17.0
Total Assessed Value	<u>\$159,624,526</u>	<u>100.0%</u>	<u>\$155,837,369</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	\$32.50		\$32.50	

Morgan Local School District, Ohio
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 \$18,324 which is recognized as revenue in the general fund. The amount available as an advance at June 30, 1998 was \$146,752 which is recognized as revenue in the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, accrued interest, due from other funds, 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	
Reimbursement from Morgan County Mental Retardation and Developmental Disabilities	\$4,199
Tuition Payments	2,687
Miscellaneous Reimbursements	348
CAFS Reimbursement	19,312
Ohio Department of Natural Resources	833
Total General Fund	27,379
Special Revenue Funds	
Career Development	8,074
Vocational Education	9,253
Total Special Revenue Funds	17,327
Enterprise Funds	
National School Lunch Program	45,007
Grand Total	\$89,713

Morgan Local School District, Ohio
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	\$88,623
Less Accumulated Depreciation	<u>(88,090)</u>
Net Fixed Assets	<u><u>\$533</u></u>

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$265,047	\$128,222	\$0	\$393,269
Buildings and Improvements	5,227,913	50,021	0	5,277,934
Furniture, Fixtures and Equipment	2,068,696	210,844	13,408	2,266,132
Vehicles	1,800,889	434,532	142,518	2,092,903
Total General Fixed Assets	<u>\$9,362,545</u>	<u>\$823,619</u>	<u>\$155,926</u>	<u>\$10,030,238</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 contracted with Nationwide Insurance for all of the insurances listed below. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$28,120,000
Comprehensive Boiler and Machinery (\$1,000 deductible)	1,543,000
Business Income or Extra Expense (\$1,000 deductible)	100,000
Automobile Liability (\$100 Comprehensive/\$500 collision)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Fire Damage (per fire)	100,000
Medical Expense (per person)	5,000
Total per year	5,000,000

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

Morgan Local School District, Ohio
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 Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant 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 insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$159,504 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for fiscal year 1998 and 1999 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$135,482	\$1,080,129	\$944,146	\$271,465
1999	271,465	1,043,071	1,155,032	159,504

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. 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.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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. 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 \$145,223, \$183,459 and \$180,473, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$72,190 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The 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 which the School District picks up 5 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 \$800,404, \$1,060,517 and \$982,782, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$131,396 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

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.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

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 \$582,112 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.

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 \$155,369.

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 negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 13 - EMPLOYEE BENEFITS (continued)

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 240 days for certified employees and a maximum of 225 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for certified and 55 days for classified employees.

B. Other Employee Insurances

Dental insurance coverage is provided through CoreSource, Inc. Premiums for this coverage is \$34.24 monthly for family and single coverage which is paid by the School District.

Vision insurance coverage is provided through Vision Service Plan. Premiums for this coverage is \$9.27 for single coverage which is paid for by the School District and \$30.40 for family coverage of which \$9.27 is paid for by the School District.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource, in the amount of \$30,000 for all employees.

C. Deferred Compensation

School District employees participate in a statewide deferred compensation plan that was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

The School District implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plans through the Ohio Public Employees Deferred Compensation Board. On September 1, 1998, the Ohio Public Employees Deferred Compensation Board created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees Deferred Compensation Board deferred compensation plan is no longer presented on the financial statements of the School District.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for copier and risographer equipment and modular classrooms. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of copiers have been capitalized in the general fixed assets account group in the amount of \$191,980. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$47,177 in the governmental funds.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	\$49,045
2001	25,148
2002	25,148
2003	25,148
2004	8,384
Total	132,873
Less: Amount Representing Interest	(13,025)
Present Value of Net Minimum Lease Payments	\$119,848

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation Long-Term Note - 5%	\$302,139	\$0	\$45,756	\$256,383
Energy Conservation Improvement Bonds -5%	343,028	0	27,272	315,756
School Bus Acquisition Bonds - Varying Percents	0	725,000	0	725,000
School Bus Acquisition Bonds - Varying Percents	0	520,000	0	520,000
Tax Refund	89,657	0	17,932	71,725
Capital Leases	167,025	0	47,177	119,848
Pension Obligation	116,394	107,972	116,394	107,972
Compensated Absences	890,323	197,590	44,955	1,042,958
Total General Long-Term Obligations	\$1,908,566	\$1,550,562	\$299,486	\$3,159,642

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

On April 6, 1994, the School District issued \$470,000 in an unvoted energy conservation long-term note for the purpose of improving, renovating, remodeling, enlarging, furnishing, equipping buildings and facilities, making site improvements for school purposes, and installations, modifications of installations, and remodeling of existing school buildings for energy conservation. The note was issued for a ten year period with final maturity during fiscal year 2004. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

On December 15, 1997, the School District issued \$343,028 in energy conservation improvement bonds for the purpose of installation, modifications of installations, or remodeling that would significantly reduce energy consumption in buildings owned by the School District. The note was issued for a ten year period with final maturity during fiscal year 2008. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

On September 1, 1998, and April 15, 1999, the School District issued \$1,245,000 in school bus acquisition bonds, \$725,000 and \$520,000 respectively, for the purpose of acquiring school buses. Both bonds were issued for a 15 year period with final maturity during fiscal year 2014. The debt will be repaid through tax revenue allocations from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

Principal and interest debt service requirements to maturity on the energy conservation long-term note and bonds and school bus acquisition bonds, including \$32,772, \$76,162, \$285,052 and \$206,724 in interest, respectively, are as follows:

Year Ending <u>June 30</u>	Energy Conservation <u>Long-Term Note</u>	Energy Conservation <u>Improvement Bonds</u>	School Bus Acquisition <u>Bonds</u>	School Bus Acquisition <u>Bonds</u>
2000	\$59,825	\$43,708	\$62,850	\$41,491
2001	59,825	43,672	66,387	47,561
2002	59,825	43,634	69,700	51,338
2003-2005	109,680	130,658	203,187	146,003
2006-2008	0	130,246	204,963	147,986
2009-2011	0	0	199,045	147,726
2012-2014	<u>0</u>	<u>0</u>	<u>203,920</u>	<u>144,619</u>
Total	<u>\$289,155</u>	<u>\$391,918</u>	<u>\$1,010,052</u>	<u>\$726,724</u>

The School District's overall legal debt margin was \$12,780,363, with an unvoted debt margin of \$155,837 at June 30, 1999.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The tax refund of \$71,725 is a long-term obligation for a repayment of taxes to Texas Eastern Transmission Corporation, a public utility company, for tax years 1992 through 1996. The repayment of taxes will be deducted over five tax settlements by the Morgan County Auditor. No interest is required for the refund.

<u>Year Ending</u> <u>June 30</u>	<u>Tax</u> <u>Refund</u>
2000	\$17,931
2001	17,931
2002	17,931
2003	<u>17,932</u>
Total	<u><u>\$71,725</u></u>

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

NOTE 16 - INTERFUND ACTIVITY

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

<u>Due from/Due to Other Funds</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	<u>\$696</u>	<u>\$2,815</u>
Bond Retirement Debt Service Fund	<u>2,815</u>	<u>0</u>
Payroll Agency Fund	<u>0</u>	<u>696</u>
Total Due from/Due to Other Funds	<u><u>\$3,511</u></u>	<u><u>\$3,511</u></u>
<u>Interfund Receivable/Payable</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	<u>\$32,588</u>	<u>\$0</u>
Special Revenue Funds:		
Career Development	0	12,656
Vocational Education	0	2,489
Appalachian Rural Systemic Initiative	<u>0</u>	<u>16,172</u>
Total Special Revenue Funds	<u>0</u>	<u>31,317</u>
Emergency Repair Capital Projects Fund	<u>0</u>	<u>359</u>
Student Managed Activities Agency Fund	<u>0</u>	<u>912</u>
Total Interfund Receivable/Payable	<u><u>\$32,588</u></u>	<u><u>\$32,588</u></u>

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 Morgan 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 Enterprise Funds</u>
Operating Revenues	\$339,876	\$29,335	\$369,211
Depreciation Expense	925	0	925
Operating Loss	(370,296)	(3,914)	(374,210)
Donated Commodities	51,494	0	51,494
Interest Income	198	0	198
Operating Grants	293,873	0	293,873
Operating Transfers-In	25,000	0	25,000
Net Loss	269	(3,914)	(3,645)
Net Working Capital	(48,184)	3,700	(44,484)
Total Assets	68,893	3,700	72,593
Long-Term Liabilities Paid from Fund Revenues	24,511	0	24,511
Total Equity	(72,162)	3,700	(68,462)
Encumbrances Outstanding at June 30, 1999	0	13	13

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Southeast Ohio Voluntary Educational Consortium (SEOVEC)

Southeast Ohio Voluntary Educational Consortium is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 36 participants consisting of 27 school districts and 9 county boards of education. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Educational Consortium, Bobby Weiderner, who serves as Treasurer, at 221 North Columbus Road, Athens, Ohio 45701. The School District's payments to SEOVEC in fiscal year 1999 were \$19,530.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various inservice for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District paid a membership fee of \$300 in fiscal year 1999.

NOTE 19 - INSURANCE PURCHASING POOL

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$76,683	
Current Year Set-aside Requirement	167,912	167,912	83,956	
Current Year Offsets	(35,662)	0	0	
Qualifying Disbursements	(222,268)	(952,575)	0	
Total	(\$90,018)	(\$784,663)	\$160,639	
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$160,639</u>	\$160,639
Amount restricted for bus purchases				407,638
Total Restricted Assets				<u><u>\$568,277</u></u>

Although the School District had offsets and 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 21 - YEAR 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as 1999.

Morgan Local School District is completing an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting. The School District has eight school buildings with power and heating but these buildings do not have extensive efficiency utilization measures.

The School District uses the State of Ohio Uniform Accounting System software for its financial reporting; the State of Ohio Uniform Payroll System Software for its payroll and employee benefits; the State Education Management and Information System (EMIS) for its educational statistics reporting. The State is responsible for remediating these systems, and is solely responsible for any costs associated.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 21 - YEAR 2000 (continued)

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

The School District currently is assessing the changes needed in the power and heating systems. Systems may have to be remediated, and tested and validated.

Property tax billing, collection, and remittance for the School District are handled by Morgan, Muskingum and Washington Counties. The Counties are responsible for remediating these systems, and are solely responsible for any costs associated.

In the continuing effort to assess all computer equipment, other areas may be found (clock systems, fire alarm systems, vocational equipment, etc.) and, if so, changes will be made in those systems. The School District anticipates that all costs will be handled through departmental and or building appropriations.

Because of the unprecedented nature of the Year 2000 issue, its effects, and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

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 material legal proceedings.

NOTE 23 - STATE FOUNDATION FUNDING

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 this School District. During the fiscal year ended June 30, 1999, the School District received \$7,918,473 of school foundation support for its general fund.

Morgan Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 23 - STATE FOUNDATION FUNDING (continued)

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.

NOTE 24 - SUBSEQUENT EVENTS

On November 2, 1999, the School District passed a 3.26 mill levy for the Classroom Facilities Program to build new school facilities through the State Department of Education. Of the 3.26 mill levy, .5 mills will be kept at the School District to be used for maintenance of the new facilities. The School District share will be \$6,997,000, which will be repaid with tax levy proceeds and the State share is \$19,915,686, which is not required to be repaid due to the School District's low adjusted valuation per pupil. If the adjusted valuation per pupil increases above the State-wide median adjusted valuation during the next twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE	PASS THROUGH ENTITY NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
---	----------------------------------	---------------------------	----------	----------------------	---------------	---------------------------

U. S. DEPARTMENT OF AGRICULTURE

Pass through Ohio Department of Education:

Nutrition Cluster:						
National School Breakfast	N/A	10.553	\$ 28,212	\$ -	\$ 28,212	\$ -
National School Lunch	N/A	10.555	204,853	-	204,853	-
Total Nutrition Cluster			233,065	-	233,065	-
Food Distribution Program	N/A	10.550	-	52,612	-	52,612
			-	52,612	-	52,612
Total U.S. Department of Agriculture			233,065	52,612	233,065	52,612

U. S. DEPARTMENT OF EDUCATION

Passed through Ohio Department of Education:

Special Education Cluster:

Special Education Grants to State						
(Title V-B)	0487772C0199	84.027	111,100	-	93,028	-
	0487772C0198		-	-	15,605	-
Special Education - Preschool Grants	048777PGS199	84.173	8,619	-	8,619	-
Total Special Education Cluster			119,719	-	117,252	-
Educationally Deprived Children						
(Title I)	048777C1S199	84.010	749,075	-	522,741	-
	048777C1S198		-	-	209,516	-
			749,075	-	732,257	-
Vocational Education -						
Basic Grants to State	0487772C199	84.048	52,436	-	54,345	-
	048772C0198		8,980	-	8,555	-
			61,416	-	62,900	-
Eisenhower State Grants	048777MSS199	84.164	19,415	-	19,415	-
	048777MSS198		-	-	9,396	-
	048777MSS197		-	-	9,879	-
			19,415	-	38,690	-
Drug Free Schools	048777DRS197	84.186	33,519	-	33,519	-
			33,519	-	33,519	-

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)

U. S. DEPARTMENT OF EDUCATION (Continued)

Goals 2000 Education Improvement	048777G2S196	84.298	-	-	810	-
	048777G2S197		-	-	10,663	-
	048777G2S197		-	-	<u>14,187</u>	-
			-	-	25,660	-
Innovative Programs IASA, Title VI	048777C2S199	84.298	10,205	-	9,047	-
	048777C2S198		-	-	2,193	-
	048777C2S197		-	-	<u>2,606</u>	-
			10,205	-	13,846	-
Comprehensive School Reform	048777RFS199	84.332	<u>75,000</u>	-	<u>28,530</u>	-
			75,000	-	28,530	-
Total U. S. Department of Education			<u>1,068,349</u>	-	<u>1,052,654</u>	-

U.S. DEPARTMENT OF LABOR

School to Work	048777WKBE99	17.249	<u>20,440</u>	-	<u>20,440</u>	-
Total U. S. Department of Labor			<u>20,440</u>	-	<u>20,440</u>	-

APPALACHIAN REGION COMMISSION

Passed through Ohio Department of Development

Appalachian Educational Facilities	048777CO1220396	23.011	<u>2,000</u>	-	<u>2,000</u>	-
			2,000	-	2,000	-
Appalachian Educational Facilities	048777ARCS198	23.001	<u>14,940</u>	-	<u>929</u>	-
			14,940	-	929	-
Total Appalachian Region Commission			<u>16,940</u>	-	<u>2,929</u>	-

TOTAL FEDERAL AWARDS EXPENDITURES \$ 1,338,794 \$ 52,612 \$ 1,309,088 \$ 52,612

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – Significant Account Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with the state grants. It is assumed that federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

WOLFE, WILSON, & PHILLIPS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701

(740) 453-9600 • FAX - (740) 453-9763

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

Board of Education
Morgan Local School District
P.O. Box 509
McConnelsville, Ohio 43756

We have audited the combined financial statements of Morgan Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated. 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 Morgan Local School District's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Morgan Local School District in a separate letter dated November 16, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morgan Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined 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

Brad Wolfe, J.D., M.B.A., CPA
Joseph W. Wilson, M.B.A., CPA, CMA
Kenneth B. Phillips, CPA

Page two

operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Morgan Local School District in a separate letter dated November 16, 1999.

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

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio
November 16, 1999

WOLFE, WILSON, & PHILLIPS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701

(740) 453-9600 • FAX - (740) 453-9763

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

Board of Education
Morgan Local School District
P.O. Box 509
McConnelsville, Ohio 43756

Compliance

We have audited the compliance of Morgan Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Morgan Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morgan Local School District management. Our responsibility is to express an opinion on Morgan Local School District 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan Local School District 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 Morgan Local School District compliance with those requirements.

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

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

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

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio
November 16, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505

MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY
JUNE 30, 1999

1. AUDITOR'S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(III)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	Title I #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MORGAN LOCAL SCHOOL DISTRICT

MORGAN 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.

By: Susan Babbitt

Date: JAN 18 2000