



**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the East Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the East Muskingum Local School District, Muskingum County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 20, 2000

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**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,296,529	\$228,968	\$1,961,563
Cash and Cash Equivalents In Segregated Accounts		78	
Receivables:			
Property Taxes	3,487,308		459,272
Accounts	14,998		
Intergovernmental	9,728	8,506	
Prepaid Items	80,823	1,387	
Due from Other Funds			
Inventory Held for Resale			
Materials and Supplies Inventory	72,219		
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalents	146,146		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
Other Debit:			
Amount to be Provided from General Government Resources			
Total Assets and Other Debit	\$5,107,751	\$238,939	\$2,420,835

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$128,562	\$626,305	\$39,219	\$	\$	\$4,281,146
					78
					3,946,580
65					15,063
					18,234
1,251					83,461
225					225
7,888					7,888
1,243					73,462
					146,146
77,653			14,754,791		14,832,444
				932,243	932,243
<u>\$216,887</u>	<u>\$626,305</u>	<u>\$39,219</u>	<u>\$14,754,791</u>	<u>\$932,243</u>	<u>\$24,336,970</u>

(continued)

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities, Fund Equity and Other Credits:			
Liabilities:			
Accounts Payable	\$118,321	\$21,922	\$3,911
Contracts Payable			152,765
Accrued Wages and Benefits Payable	1,034,762	57,904	
Compensated Absences Payable	20,450		
Due to Other Funds	225		
Intergovernmental Payable	273,793	7,975	
Deferred Revenue	2,282,675		299,380
Due to Students			
Accrued Interest Payable	438		
Claims Payable			
Energy Conservation Loan Payable	109,870		
Special Termination Benefits Payable	34,392		
Total Liabilities	3,874,926	87,801	456,056
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)			
Fund Balance:			
Reserved for Encumbrances	175,107	38,904	62,900
Reserved for Unclaimed Monies	1,343		
Reserved for Property Taxes	1,204,633		159,892
Reserved for Budget Stabilization	146,146		
Reserved for Inventory	72,219		
Designated for Budget Stabilization	9,365		
Unreserved, Undesignated (Deficit)	(375,988)	112,234	1,741,987
Total Fund Equity and Other Credits	1,232,825	151,138	1,964,779
Total Liabilities, Fund Equity and Other Credits	\$5,107,751	\$238,939	\$2,420,835

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

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$270	\$	\$	\$	\$	\$144,424
13,114					152,765
10,894				859,182	1,105,780
42,845				73,061	890,526
2,682					225
		39,219			397,674
	162,773				2,584,737
					39,219
					438
					162,773
					109,870
2,714					37,106
<u>72,519</u>	<u>162,773</u>	<u>39,219</u>		<u>932,243</u>	<u>5,625,537</u>
180,477			14,754,791		14,754,791
(36,109)	463,532				180,477
					427,423
					276,911
					1,343
					1,364,525
					146,146
					72,219
					9,365
					1,478,233
<u>144,368</u>	<u>463,532</u>		<u>14,754,791</u>		<u>18,711,433</u>
<u>\$216,887</u>	<u>\$626,305</u>	<u>\$39,219</u>	<u>\$14,754,791</u>	<u>\$932,243</u>	<u>\$24,336,970</u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

	Governmental	
	General	Special Revenue
Revenues:		
Property Taxes	\$3,206,113	\$
Intergovernmental	7,512,866	780,322
Interest	149,373	
Tuition and Fees	66,792	
Extracurricular Activities		304,811
Rent	1,465	
Miscellaneous	67,653	1,910
Total Revenues	11,004,262	1,087,043
Expenditures:		
Current:		
Instruction:		
Regular	5,917,557	289,764
Special	634,314	397,401
Vocational	210,078	
Other	42,678	
Support Services:		
Pupils	274,881	9,165
Instructional Staff	416,423	48,712
Board of Education	33,543	
Administration	1,201,213	50,186
Fiscal	198,811	
Operation and Maintenance of Plant	968,401	
Pupil Transportation	796,394	943
Central	25,445	4,919
Extracurricular Activities	183,447	307,555
Capital Outlay	1,543	
Refund of Property Taxes	25,483	
Debt Service:		
Interest and Fiscal Charges	5,578	
Total Expenditures	10,935,789	1,108,645
Excess of Revenues Over (Under) Expenditures	68,473	(21,602)
Other Financing Sources (Uses):		
Proceeds from Sale of Fixed Assets	6,381	
Operating Transfers In		
Operating Transfers Out	(300,000)	
Total Other Financing Sources (Uses)	(293,619)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(225,146)	(21,602)
Fund Balances at Beginning of Year	1,451,783	172,740
Residual Equity Transfers	16,143	
Decrease in Reserve for Inventory	(9,955)	
Fund Balances at End of Year	\$1,232,825	\$151,138

<u>Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$	\$420,254	\$3,626,367
	138,033	8,431,221
	88,825	238,198
		66,792
		304,811
		1,465
		69,563
		<u>647,112</u>
		<u>12,738,417</u>
		6,207,321
		1,031,715
		210,078
		42,678
		284,046
		465,135
		33,543
		1,251,399
		198,811
		968,401
		797,337
		30,364
		491,002
	653,452	654,995
	2,967	28,450
		<u>5,578</u>
	<u>656,419</u>	<u>12,700,853</u>
	<u>(9,307)</u>	<u>37,564</u>
		6,381
	300,000	300,000
		<u>(300,000)</u>
	<u>300,000</u>	<u>6,381</u>
	290,693	43,945
16,143	1,674,086	3,314,752
(16,143)		
		<u>(9,955)</u>
<u>\$0</u>	<u>\$1,964,779</u>	<u>\$3,348,742</u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**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, 2000**

	General		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$2,942,791	\$3,182,070	\$239,279
Intergovernmental	7,716,553	7,665,107	(51,446)
Interest	130,000	149,845	19,845
Tuition and Fees	78,472	64,039	(14,433)
Extracurricular Activities			
Rent	2,000	1,465	(535)
Miscellaneous	82,500	61,864	(20,636)
Total Revenues	10,952,316	11,124,390	172,074
Expenditures:			
Current:			
Instruction:			
Regular	6,403,245	6,098,727	304,518
Special	664,084	628,136	35,948
Vocational	211,529	211,113	416
Other	69,525	42,217	27,308
Support Services:			
Pupils	292,644	274,195	18,449
Instructional Staff	434,916	430,073	4,843
Board of Education	39,419	36,969	2,450
Administration	1,353,971	1,252,664	101,307
Fiscal	238,318	202,989	35,329
Operation and Maintenance of Plant	1,139,477	1,026,785	112,692
Pupil Transportation	859,557	816,923	42,634
Central	36,950	32,960	3,990
Operation of Non-Instructional Services			
Extracurricular Activities	184,511	181,287	3,224
Capital Outlay	7,541	2,001	5,540
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	11,935,687	11,237,039	698,648
Excess of Revenues Over (Under) Expenditures	(983,371)	(112,649)	870,722
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	5,875	5,975	100
Refund of Prior Year Expenditures		17,306	17,306
Operating Transfers In		16,143	16,143
Advances In		50,000	50,000
Advances Out			
Other Financing Uses	(21,344)		21,344
Refund of Prior Year Receipts	(25,483)	(25,483)	
Operating Transfers Out	(324,517)	(300,000)	24,517
Total Other Financing Sources (Uses)	(365,469)	(236,059)	129,410
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,348,840)	(348,708)	1,000,132
Fund Balances at Beginning of Year	984,520	984,520	
Prior Year Encumbrances Appropriated	485,147	485,147	
Fund Balances at End of Year	\$120,827	\$1,120,959	\$1,000,132

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 795,200	\$ 796,200	\$ 1,000	\$33,938	\$33,938	\$
304,067	304,811	744			
1,910	1,910				
1,101,177	1,102,921	1,744	33,938	33,938	
383,038	317,922	65,116			
434,914	400,756	34,158			
26,088	24,674	1,414			
55,485	46,900	8,585			
52,981	50,195	2,786			
1,576	1,576				
6,636	4,919	1,717			
6,399	1,399	5,000			
365,463	317,403	48,060			
			27,826	27,826	
			6,127	6,127	
1,332,580	1,165,744	166,836	33,953	33,953	
(231,403)	(62,823)	168,580	(15)	(15)	
			(16,143)	(16,143)	
			(16,143)	(16,143)	
(231,403)	(62,823)	168,580	(16,158)	(16,158)	
167,370	167,370		16,158	16,158	
64,033	64,033				
\$0	\$168,580	\$168,580	\$0	\$0	\$0

(continued)

EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY

**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, 2000
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$385,965	\$420,008	\$34,043
Intergovernmental	182,161	188,033	5,872
Interest		88,825	88,825
Tuition and Fees			
Extracurricular Activities			
Rent			
Miscellaneous			
Total Revenues	568,126	696,866	128,740
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Operation of Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	2,059,525	733,945	1,325,580
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	2,059,525	733,945	1,325,580
Excess of Revenues Over (Under) Expenditures	(1,491,399)	(37,079)	1,454,320
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Operating Transfers In		300,000	300,000
Advances In			
Advances Out		(50,000)	(50,000)
Other Financing Uses			
Refund of Prior Year Receipts	(2,967)	(2,967)	
Operating Transfers Out			
Total Other Financing Sources (Uses)	(2,967)	247,033	250,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,494,366)	209,954	1,704,320
Fund Balances at Beginning of Year	1,510,577	1,510,577	
Prior Year Encumbrances Appropriated	33,789	33,789	
Fund Balances at End of Year	\$50,000	\$1,754,320	\$1,704,320

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

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,362,694	\$3,636,016	\$273,322
8,693,914	8,649,340	(44,574)
130,000	238,670	108,670
78,472	64,039	(14,433)
304,067	304,811	744
2,000	1,465	(535)
84,410	63,774	(20,636)
12,655,557	12,958,115	302,558
6,786,283	6,416,649	369,634
1,098,998	1,028,892	70,106
211,529	211,113	416
69,525	42,217	27,308
318,732	298,869	19,863
490,401	476,973	13,428
39,419	36,969	2,450
1,406,952	1,302,859	104,093
238,318	202,989	35,329
1,139,477	1,026,785	112,692
861,133	818,499	42,634
43,586	37,879	5,707
6,399	1,399	5,000
549,974	498,690	51,284
2,067,066	735,946	1,331,120
27,826	27,826	
6,127	6,127	
15,361,745	13,170,681	2,191,064
(2,706,188)	(212,566)	2,493,622
5,875	5,975	100
	17,306	17,306
	316,143	316,143
	50,000	50,000
	(50,000)	(50,000)
(21,344)		21,344
(28,450)	(28,450)	
(340,660)	(316,143)	24,517
(384,579)	(5,169)	379,410
(3,090,767)	(217,735)	2,873,032
2,678,625	2,678,625	
582,969	582,969	
\$170,827	\$3,043,859	\$2,873,032

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating Revenues:			
Sales	\$486,298	\$	\$486,298
Charges for Services		947,200	947,200
Other Operating Revenues	275	15,286	15,561
Total Operating Revenues	<u>486,573</u>	<u>962,486</u>	<u>1,449,059</u>
Operating Expenses:			
Salaries	229,421		229,421
Fringe Benefits	60,955		60,955
Purchased Services	18,060	114,723	132,783
Materials and Supplies	27,935		27,935
Cost of Sales	299,871		299,871
Depreciation	10,926		10,926
Claims		712,064	712,064
Total Operating Expenses	<u>647,168</u>	<u>826,787</u>	<u>1,473,955</u>
Operating Income (Loss)	<u>(160,595)</u>	<u>135,699</u>	<u>(24,896)</u>
Non-Operating Revenues:			
Federal Donated Commodities	45,730		45,730
Interest Income	4,551		4,551
Federal and State Subsidies	137,103		137,103
Total Non-Operating Revenues	<u>187,384</u>		<u>187,384</u>
Net Income	26,789	135,699	162,488
Retained Earnings (Deficit) at Beginning of Year	<u>(62,898)</u>	<u>327,833</u>	<u>264,935</u>
Retained Earnings (Deficit) at End of Year	(36,109)	463,532	427,423
Contributed Capital at Beginning and End of Year	<u>180,477</u>		<u>180,477</u>
Total Fund Equity at End of Year	<u>\$144,368</u>	<u>\$463,532</u>	<u>\$607,900</u>

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$492,000	\$486,283	(\$5,717)
Charges for Services			
Other Operating Revenues			
Interest	2,500	4,551	2,051
Refund of Prior Year Expense			
Operating Grants	<u>128,500</u>	<u>157,857</u>	<u>29,357</u>
Total Revenues	<u>623,000</u>	<u>648,691</u>	<u>25,691</u>
Expenses:			
Salaries	248,000	227,613	20,387
Fringe Benefits	73,750	66,121	7,629
Purchased Services	26,423	18,708	7,715
Materials and Supplies	339,130	283,211	55,919
Capital Outlay	<u>5,050</u>	<u> </u>	<u>5,050</u>
Total Expenses	<u>692,353</u>	<u>595,653</u>	<u>96,700</u>
Excess of Revenues Over (Under) Expenses	(69,353)	53,038	122,391
Fund Equity at Beginning of Year	67,485	67,485	
Prior Year Encumbrances Appropriated	<u>1,868</u>	<u>1,868</u>	<u> </u>
Fund Equity at End of Year	<u>\$0</u>	<u>\$122,391</u>	<u>\$122,391</u>

(continued)

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	<u>Internal Service Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales			
Charges for Services	\$947,200	\$947,200	\$
Other Operating Revenues		15,286	15,286
Interest			
Refund of Prior Year Expense		1,043	1,043
Operating Grants			
	<hr/>	<hr/>	<hr/>
Total Revenues	<u>947,200</u>	<u>963,529</u>	<u>16,329</u>
Expenses:			
Salaries			
Fringe Benefits			
Purchased Services	1,462,247	852,271	609,976
Materials and Supplies			
Capital Outlay			
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>1,462,247</u>	<u>852,271</u>	<u>609,976</u>
Excess of Revenues Over (Under) Expenses	(515,047)	111,258	626,305
Fund Equity at Beginning of Year	515,047	515,047	
Prior Year Encumbrances Appropriated			
	<hr/>	<hr/>	<hr/>
Fund Equity at End of Year	<u><u>\$0</u></u>	<u><u>\$626,305</u></u>	<u><u>\$626,305</u></u>

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

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$492,000	\$486,283	(\$5,717)
947,200	947,200	
	15,286	15,286
2,500	4,551	2,051
	1,043	1,043
128,500	157,857	29,357
<u>1,570,200</u>	<u>1,612,220</u>	<u>42,020</u>
248,000	227,613	20,387
73,750	66,121	7,629
1,488,670	870,979	617,691
339,130	283,211	55,919
5,050		5,050
<u>2,154,600</u>	<u>1,447,924</u>	<u>706,676</u>
(584,400)	164,296	748,696
582,532	582,532	
1,868	1,868	
<u>\$0</u>	<u>\$748,696</u>	<u>\$748,696</u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$486,283	\$	\$486,283
Cash Received from Quasi-External Transactions with Other Funds		947,200	947,200
Cash Received from Other Operating Revenues		16,329	16,329
Cash Payments to Suppliers for Goods and Services	(300,455)	(114,723)	(415,178)
Cash Payments for Employee Services	(222,906)		(222,906)
Cash Payments for Employee Benefits	(66,121)		(66,121)
Cash Payments for Claims		(737,548)	(737,548)
Net Cash Provided by (Used) for Operating Activities	<u>(103,199)</u>	<u>111,258</u>	<u>8,059</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	<u>157,857</u>		<u>157,857</u>
Cash Flows from Investing Activities:			
Interest Income	<u>4,551</u>		<u>4,551</u>
Net Increase in Cash and Cash Equivalents	59,209	111,258	170,467
Cash and Cash Equivalents at Beginning of Year	<u>69,353</u>	<u>515,047</u>	<u>584,400</u>
Cash and Cash Equivalents at End of Year	<u>\$128,562</u>	<u>\$626,305</u>	<u>\$754,867</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	<u>(\$160,595)</u>	<u>\$135,699</u>	<u>(\$24,896)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	10,926		10,926
Donated Commodities Used During Year	45,730		45,730
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(65)	1,043	978
Increase in Due from Other Funds	(225)		(225)
Increase in Prepaid Items	(461)		(461)
Increase in Inventory Held for Resale	(1,587)		(1,587)
Decrease in Materials and Supplies Inventory	347		347
Decrease in Accounts Payable	(8)		(8)
Decrease in Accrued Wages Payable	(354)		(354)
Increase in Compensated Absences Payable	4,609		4,609
Decrease in Intergovernmental Payable	(4,229)		(4,229)
Increase in Special Termination Benefits Payable	2,713		2,713
Decrease in Claims Payable		(25,484)	(25,484)
Total Adjustments	<u>57,396</u>	<u>(24,441)</u>	<u>32,955</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$103,199)</u>	<u>\$111,258</u>	<u>\$8,059</u>

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1958 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 192 square miles. It is located in Muskingum and Guernsey Counties, and includes all of the Village of New Concord, Ohio. The School District is staffed by 97 classified employees and 158 certificated full-time teaching personnel who provide services to 2,273 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

The School District is associated with two organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Tri-Rivers Educational Computer Association (TRECA), the Mid-East Ohio Vocational School District, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

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

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

Governmental Fund Types:

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

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.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund 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 fiscal 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 fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

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

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

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 fiscal 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 fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal 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 fiscal year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

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

During fiscal year 2000, investments were limited to a money market mutual fund which is reported at fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund and Permanent Improvement, Capital Projects Fund type during fiscal year 2000 amounted to \$149,373 and \$88,825, respectively, which includes \$40,232 assigned from other School District funds.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation

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

Assets in the general fixed asset account group are not depreciated.

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

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

Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Eisenhower Professional Development Block
- School Net Professional Development
- Goals 2000

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants (Continued)

Special Revenue Funds (Continued)

- Book Fair
- Martha Holden Jennings
- Unsung Heroes
- Financial Literacy
- Interactive Video Distance Learning

Capital Projects Funds

- School Net
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education
- Community Alternative Funding System

Proprietary Funds

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

Grants and entitlements amounted to sixty-five percent of governmental fund revenue during the 2000 fiscal year.

I. Interfund Assets/Liabilities

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District only records a liability for accumulated unused vacation time when earned for the district's treasurer whose contract is valid from January 1st through December 31st of any given year. For the remainder of the School District's employees with one or more years of service, vacation hours at the end of the fiscal year may not be accumulated and carried forward to the next fiscal year.

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year end are considered to have used current available financial resources.

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

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

L. Interfund Transactions

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

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

There was a residual equity transfer to the General Fund from the Debt Service Fund during fiscal year 2000 in the amount of \$16,143. This transfer was approved due to the closing of the Debt Service Fund after the associated tax anticipation notes were retired during fiscal year 1999.

M. 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 amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 22 for additional information regarding set-asides.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

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

O. 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. Contributed Capital

Contributed capital represents resources from other funds provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end. The amount of contributed capital did not change during fiscal year 2000.

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

Q. Estimates

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

R. 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.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

The beginning balance in the general long-term obligations account group for compensated absences was increased by \$171,799 to a restated balance of \$796,221 due to an error in calculating the sick leave liability at June 30, 1999.

Also, the beginning fixed asset balance in the general fixed asset account group has been restated to \$14,364,614 due to corrections in reporting fixed assets from previous fiscal years. This restatement represents a decrease in the amount of \$185,647 from buses that were not deleted in previous fiscal years from the fixed asset listing. Also, there was an adjustment increasing fixed assets by \$79,764 due to the omission of two buses and two copiers that were never added to the fixed asset listing from previous fiscal years. The net effect was a decrease in total fixed assets in the amount of \$105,883.

NOTE 4 - ACCOUNTABILITY

At June 30, 2000, the Professional Development Grant and Title I Special Revenue Funds had deficit fund balances in the amounts of \$47 and \$10,018, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service Enterprise Fund had deficit retained earnings of \$57,883 due to the recognition of contributed capital and by the recognition of payables in accordance with generally accepted accounting principles. The School District is analyzing food service operations to determine appropriate steps to alleviate the deficit.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$225,146)	(\$21,602)	\$0	\$290,693
Net Adjustment for Revenue Accruals	170,932	15,878	0	49,754
Unreported Cash	34	0	0	0
Net Adjustment for Expenditure Accruals	60,581	3,906	0	122,465
Prepaid Items	(71,314)	(617)	0	4,285
Principal Payments	0	0	(27,826)	0
Interest and Fiscal Charges	5,578	0	(6,127)	0
Transfers In	16,143	0	0	0
Transfers Out	0	0	(16,143)	0
Advances In	50,000	0	0	0
Advances Out	0	0	0	(50,000)
Perspective Difference: Allocation of Revenue for Debt Payments	(33,938)	0	33,938	0
Encumbrances	<u>(321,578)</u>	<u>(60,388)</u>	<u>0</u>	<u>(207,243)</u>
Budget Basis	<u><u>(\$348,708)</u></u>	<u><u>(\$62,823)</u></u>	<u><u>(\$16,158)</u></u>	<u><u>\$209,954</u></u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income/Excess of Revenues Over Expenses All Proprietary Fund Types	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$26,789	\$135,699
Net Adjustment for Revenue Accruals	20,464	1,043
Net Adjustment for Expense Accruals	2,731	(25,484)
Prepaid Items	(461)	0
Materials and Supplies Inventory	347	0
Inventory Held for Resale	(1,587)	0
Depreciation Expense	10,926	0
Encumbrances	<u>(6,171)</u>	<u>0</u>
Budget Basis	<u><u>\$53,038</u></u>	<u><u>\$111,258</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Undeposited Cash: At fiscal year end, the School District had \$138 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$183,440 and the bank balance was \$355,105. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$255,105 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. For purposes of this note presentation, the School District's investment at June 30, 2000, was in a money market mutual fund and is not classified as to risk since the investment is not evidenced by securities that exist in physical or book entry form. The fair value is \$4,243,792.

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$4,427,370	\$0
Undeposited Cash	(138)	0
Investment in a Money Market Mutual Fund	<u>(4,243,792)</u>	<u>4,243,792</u>
GASB Statement 3	<u><u>\$183,440</u></u>	<u><u>\$4,243,792</u></u>

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.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 7 - PROPERTY TAXES (Continued)

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

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

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

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

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$1,204,633 in the General Fund, and \$159,892 in the Permanent Improvement Capital Projects Fund.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 7 - PROPERTY TAXES (Continued)

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

	<u>1999 Second- Half Collections</u>		<u>2000 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$107,138,630	78.93%	\$112,687,520	79.83%
Public Utility	17,460,615	12.86%	17,092,460	12.11%
Tangible Personal Property	<u>11,140,740</u>	<u>8.21%</u>	<u>11,382,510</u>	<u>8.06%</u>
Total Assessed Value	<u>\$135,739,985</u>	<u>100%</u>	<u>\$141,162,490</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$37.01		\$36.81	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Continuous Improvement Grant	\$1,923
Bureau of Workers' Compensation Refund	1,082
Drivers' Education Reimbursement	4,400
CAFS Reimbursement	1,197
Tuition Reimbursements	<u>1,126</u>
Total General Fund	<u>9,728</u>
Telecom E-Rate Special Revenue Fund	<u>8,506</u>
Total Intergovernmental Receivables	<u>\$18,234</u>

NOTE 9 - FIXED ASSETS

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

Furniture and Equipment	\$304,214
Less: Accumulated depreciation	<u>(226,561)</u>
Net Fixed Assets	<u>\$77,653</u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 9 - FIXED ASSETS (Continued)

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

	Restated Balance at <u>06/30/99</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/00</u>
Land	\$166,746	\$0	\$0	\$166,746
Buildings	10,417,320	0	0	10,417,320
Furniture, Fixtures and Equipment	2,326,584	208,712	226,399	2,308,897
Vehicles	1,453,964	148,198	78,488	1,523,674
Construction in Progress	<u>0</u>	<u>338,154</u>	<u>0</u>	<u>338,154</u>
Total	<u>\$14,364,614</u>	<u>\$695,064</u>	<u>\$304,887</u>	<u>\$14,754,791</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 2000, the School District had coverages as follows:

Property Insurance - Handschy-Graham-Taylor Agency, Utica National Insurance Group, and Republic Franklin Insurance Company:

Building and Contents - replacement cost (\$1,000 deductible)	\$29,479,598 limit
Inland Marine (\$250 deductible)	\$500,000 limit
Boiler and Machinery (\$1,000 deductible)	\$ 3,000,000 limit
Data Processing Equipment	\$50,000 per building
Crime Insurance	\$25,000 limit
Forgery or Alteration	\$100,000 limit
Employee Dishonesty	\$100,000 limit

Fleet Insurance - Nationwide Insurance Company:

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

Liability Insurance	\$1,000,000 each occurrence
	\$5,000,000 aggregate

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 10 - RISK MANAGEMENT (Continued)

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Central Benefits serves as claims servicer for medical/surgical coverage and Core Source serves as claims servicer for dental coverage. The claims liability of \$162,773 reported in the internal service fund at June 30, 2000, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the increased claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning Of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$182,507	\$876,440	\$870,690	\$188,257
2000	188,257	712,064	737,548	162,773

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$380,400, \$358,980 and \$607,544, respectively; 82.5 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$66,754 represents the unpaid contribution for fiscal year 2000, and is recorded as a liability within the respective funds.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the 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 2000, 5.5 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, 2000, 1999, and 1998, were \$78,208, \$102,158 and \$143,217, respectively; 43.9 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$43,901 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement 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 Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$507,200 during the 2000 fiscal year.

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$135,834.

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

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from Board policy and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Unused vacation time at the end of a fiscal year is not accumulated or carried forward to the next fiscal year. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 180 days for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 40 days for all employees.

B. Life Insurance

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 13 - EMPLOYEE BENEFITS (Continued)

C. Special Termination Benefit Payable

Employees who retire subsequent to June 30, 1998, are eligible for a special termination benefit. For every year of service credit with East Muskingum Local School District, up through ten years, employees are given one percent of their annual salary earned in the contract year of employment completed upon retirement. For every year of service credit with East Muskingum Local School District, between eleven and twenty years, employees are given one and one quarter percent of their annual salary earned in the contract year of employment completed upon retirement. For every year of service credit with East Muskingum Local School District, over twenty-one years, up through the final year of employment, employees are given one and one half percent of their annual salary earned in the contract year of employment completed upon retirement. Retiree's must notify the District by April 1 of each year as to their intent to retire and to apply for the special termination benefit. Payment of the special termination benefits is limited to five employees in each year based upon seniority. The benefit is paid in one lump sum at the time of retirement from the fund and function that pays the employees' salaries. The special termination benefit payable as of June 30, 2000, is reflected on the combined balance sheet in the General Fund and Food Service Enterprise Fund in the amounts of \$34,392 and \$2,714, respectively.

NOTE 14 - FUND OBLIGATION

During fiscal year 2000, the School District had an energy conservation note outstanding which is a liability of the General Fund. Property tax revenues are being utilized for the payment of this obligation. The following table summarizes the note activity during fiscal year 2000:

	<u>Outstanding 06/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/00</u>
Energy Conservation Note 4.95%	\$137,696	\$0	\$27,826	\$109,870

Principal and interest requirements to retire the Energy Conservation Note outstanding at June 30, 2000, are as follow:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$27,826	\$4,750	\$32,576
2002	27,826	3,372	31,198
2003	27,826	1,995	29,821
2004	<u>26,392</u>	<u>654</u>	<u>27,046</u>
Total	<u>\$109,870</u>	<u>\$10,771</u>	<u>\$120,641</u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 15 - LONG-TERM OBLIGATIONS

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

	<u>Restated Outstanding 06/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/00</u>
Compensated Absences	\$796,221	\$118,836	\$55,875	\$859,182
Tax Refund Payable	28,450	0	28,450	0
Pension Obligation	<u>82,560</u>	<u>73,061</u>	<u>82,560</u>	<u>73,061</u>
Total Long-Term Obligations	<u>\$907,231</u>	<u>\$191,897</u>	<u>\$166,885</u>	<u>\$932,243</u>

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

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

The School District's overall legal debt margin was \$12,704,624, with an unvoted debt margin of \$141,162 at June 30, 2000.

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual commitments for the following project:

<u>Project/Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of June 30, 2000</u>	<u>Amounts Remaining on Contracts</u>
Classroom Facilities Capital Projects Construction	\$1,013,069	\$338,154	\$674,915

NOTE 17 - INTERFUND TRANSACTIONS

The Food Service Enterprise Fund is reflecting "Due from Other Funds" in the amount of \$225. This amount is due from the General Fund as a reimbursement for services rendered by the food service department.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the East Muskingum Local School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$461,621	\$24,952	\$486,573
Depreciation Expense	10,926	0	10,926
Operating Income (Loss)	(169,011)	8,416	(160,595)
Donated Commodities	45,730	0	45,730
Operating Grants	137,103	0	137,103
Investment Income	4,551	0	4,551
Net Income	18,373	8,416	26,789
Net Working Capital	92,280	21,774	114,054
Total Assets	195,113	21,774	216,887
Long-Term Liabilities	47,563	0	47,563
Total Equity	122,594	21,774	144,368
Encumbrances at June 30, 2000	5,808	363	6,171

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association (TRECA) - The School District is a participant in TRECA, which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio, 43302.

Mid-East Ohio Vocational School District - The Mid-East Ohio Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The board controls the financial activity of the Joint Vocational School District and reports to the Ohio Department of Education and the Auditor of State of Ohio. To obtain financial information write to the Mid-East Ohio Vocational School, Cindy Nye, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 20 - INSURANCE PURCHASING POOL

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

NOTE 21 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$7,014,820 of school foundation support for its General Fund.

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

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

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

NOTE 22 - SET-ASIDE CALCULATIONS

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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. The School District is also required to set aside money for budget stabilization.

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE 22 - SET-ASIDE CALCULATIONS (Continued)

	Textbooks/ Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$146,146
Current Year Set-aside Requirement	254,546	254,546	0
Current year Offsets	0	(720,008)	0
Qualifying Disbursements	(301,287)	(115,408)	0
Total	(\$46,741)	(\$580,870)	\$146,146
Set-aside Balance Carried Forward to Future Fiscal Years	(46,741)	(300,000)	146,146
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$146,146

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. This extra amount may be used to reduce the textbook set-aside requirement in future fiscal years. The excess monies from the transfer from the General Fund to the Permanent Improvement Fund may be used to reduce the capital set-aside in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$146,146.

NOTE 23 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 24 - SUBSEQUENT EVENTS

On November 7, 2000, the School District passed a levy for 3.9 mills to participate in the Ohio School Facility Commission Project. This total project budget is \$28,737,357 of which 75 percent is to be paid by the State.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$45,725	\$0	\$45,725
School Breakfast Program	048835-05-PU-99	10.553	2,298	0	2,298	0
	048835-05-PU-00	10.553	9,374	0	9,374	0
Total School Breakfast Program			11,672	0	11,672	0
National School Lunch Program	048835-03-PU-99	10.555	10,192	0	10,192	0
	048835-03-PU-00	10.555	33,386	0	33,386	0
	048835-04-PU-99	10.555	21,468	0	21,468	0
	048835-04-PU-00	10.555	73,155	0	73,155	0
Total National School Lunch Program			138,201	0	138,201	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			149,873	45,725	149,873	45,725
<u>U.S. Department of Labor</u>						
<i>Passed Through Ohio Department of Education:</i>						
Employment Services and Job Training Pilot Program	048835-WK-BE-99	17.249	5,611	0	6,704	0
Total U.S. Department of Labor			5,611	0	6,704	0
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies						
	048835-C1-S1-99	84.010	54,357	0	89,080	0
	048835-C1-S1-99C	84.010	48,603	0	48,603	0
	048835-C1-S1-00	84.010	263,774	0	227,496	0
Total Title I			366,734	0	365,179	0
Special Education Grants to States (Title VI-B)						
	048835-6B-SF-98P	84.027	13,945	0	28,361	0
	048835-6B-SF-99P	84.027	99,816	0	84,870	0
Total Special Education Grants to States			113,761	0	113,231	0
Goals 2000 - State and Local Education Systematic Improvement Grants						
	048835-G2-SP-99	84.276	0	0	1,493	0
	048835-G2-S2-99	84.276	69,325	0	48,649	0
	048835-G2-S3-99	84.276	10,000	0	9,438	0
Total Goals 2000			79,325	0	59,580	0

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. Department of Education (Continued)</u>						
<i>Passed Through Ohio Department of Education (Continued):</i>						
Eisenhower Professional Development State Grants	048835-MS-S1-98	84.281	\$0	\$0	\$773	\$0
	048835-MS-S1-99	84.281	0	0	5,970	0
	048835-MS-S1-00	84.281	<u>10,997</u>	<u>0</u>	<u>9,673</u>	<u>0</u>
Total Eisenhower Professional Development Grants			10,997	0	16,416	0
Innovative Education Program Strategies (Title VI)	048835-C2-S1-99	84.298	0	0	3,225	0
	048835-C2-S1-99C	84.298	1,602	0	4,189	0
	048835-C2-S1-00	84.298	<u>7,841</u>	<u>0</u>	<u>6,086</u>	<u>0</u>
Total Innovative Education Program Strategies			9,443	0	13,500	0
Class Size Reduction (Title VI-R)	048835-CR-S1-00	84.340	<u>34,146</u>	<u>0</u>	<u>30,049</u>	<u>0</u>
Total U.S. Department of Education			614,406	0	597,955	0
<u>U.S. Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (Medicaid, Title XIX)	N/A	93.778	<u>7,700</u>	<u>0</u>	<u>7,700</u>	<u>0</u>
Total U.S. Department of Health and Human Services			<u>7,700</u>	<u>0</u>	<u>7,700</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$777,590</u></u>	<u><u>\$45,725</u></u>	<u><u>\$762,232</u></u>	<u><u>\$45,725</u></u>

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

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

Compliance

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

Internal Control Over Financial Reporting

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

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

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

Jim Petro
Auditor of State

December 20, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

Compliance

We have audited the compliance of East Muskingum Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

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

Internal Control over Compliance

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

East Muskingum Local School District
Muskingum County
Report of Independent Accountants on Compliance with Requirements Applicable
to Each Major Federal Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133
Page 2

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

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

Jim Petro
Auditor of State

December 20, 2000

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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

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

3. FINDINGS FOR FEDERAL AWARDS

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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EAST MUSKINGUM LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2001**