



**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Garaway Local School District
Tuscarawas County
146 Dover Avenue
P.O. Box 339
Sugarcreek, OH 44681

To the Board of Education:

We have audited the accompanying general purpose financial statements of Garaway Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Garaway Local School District, Tuscarawas County, Ohio, (the District) as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information 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

October 29, 2001

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GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents	\$2,139,490	\$62,048	\$151,677	\$167,872	\$11,399		\$39,771			\$2,572,257
Cash in segregated accounts						\$153,901				153,901
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent	3,333,569		286,395	144,668						3,764,632
Accounts	362	1,845		800						3,007
Accrued interest	6,420									6,420
Intergovernmental receivables	10,855	96,621	754	722						108,952
Materials and supplies inventory						607				607
Inventory held for resale						9,742				9,742
Restricted assets:										
Equity in pooled cash and cash equivalents	64,034									64,034
Property, plant and equipment (net of accumulated depreciation where applicable)					29,605			\$7,430,515		7,460,120
OTHER DEBITS:										
Amount available in debt service fund									\$184,425	184,425
Amount to be provided for retirement of general long-term obligations									2,446,242	2,446,242
Total assets and other debits	\$5,554,730	\$160,514	\$438,826	\$314,062	\$51,353	\$153,901	\$39,771	\$7,430,515	\$2,630,667	\$16,774,339

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$17,508	\$2,391		\$15,640						\$35,539
Accrued wages and benefits	695,591	50,037			\$24,062					769,690
Compensated absences payable	6,506				6,062				\$320,167	332,735
Intergovernmental payable.	113,434	5,930			12,673				54,331	186,368
Undistributed monies							\$3,947			3,947
Deferred revenue.	2,808,814	30,858	\$254,401	112,559	4,485					3,211,117
Due to students.							35,824			35,824
Claims payable.						\$111,449				111,449
General obligation bonds payable								1,745,000		1,745,000
Energy conservation note payable								467,501		467,501
Capital lease obligation payable								43,668		43,668
Total liabilities	<u>3,641,853</u>	<u>89,216</u>	<u>254,401</u>	<u>128,199</u>	<u>47,282</u>	<u>111,449</u>	<u>39,771</u>		<u>2,630,667</u>	<u>6,942,838</u>
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								\$7,430,515		7,430,515
Contributed capital.					28,156					28,156
Retained earnings (accumulated deficit): unreserved					(24,085)	42,452				18,367
Fund balances:										
Reserved for encumbrances	105,635	9,357		17,812						132,804
Reserved for debt service.			152,431							152,431
Reserved for tax revenue unavailable for appropriation	529,589		31,994	32,109						593,692
Reserved for BWC refunds	40,124									40,124
Reserved for bus purchase allowance	23,910									23,910
Unreserved-undesignated	1,213,619	61,941		135,942						1,411,502
Total equity and other credits.	<u>1,912,877</u>	<u>71,298</u>	<u>184,425</u>	<u>185,863</u>	<u>4,071</u>	<u>42,452</u>		<u>7,430,515</u>		<u>9,831,501</u>
Total liabilities, equity and other credits	<u>\$5,554,730</u>	<u>\$160,514</u>	<u>\$438,826</u>	<u>\$314,062</u>	<u>\$51,353</u>	<u>\$153,901</u>	<u>\$39,771</u>	<u>\$7,430,515</u>	<u>\$2,630,667</u>	<u>\$16,774,339</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$2,882,608		\$255,693	\$127,280	\$3,265,581
Tuition.	305,885				305,885
Earnings on investments.	198,643				198,643
Extracurricular activities.		\$139,569			139,569
Contributions and donations.	25,250	18,847			44,097
Other local revenues.	88,446	793			89,239
Intergovernmental - State	3,039,568	101,676	23,628	138,197	3,303,069
Intergovernmental - Federal.		579,496			579,496
Total revenue.	6,540,400	840,381	279,321	265,477	7,925,579
Expenditures:					
Current:					
Instruction:					
Regular.	3,715,205	301,387		178,403	4,194,995
Special	559,047	275,120			834,167
Vocational	58,820				58,820
Support services:					
Pupil	246,173	56,258			302,431
Instructional staff.	200,784	94,551		500	295,835
Board of Education.	11,463				11,463
Administration	882,693	2,605	1	420	885,719
Fiscal.	246,154	3,460	3,748	3,896	257,258
Operations and maintenance	624,542	15,108		244,562	884,212
Pupil transportation	458,556	593		35,780	494,929
Extracurricular activities.	144,546	93,243			237,789
Facilities acquisition and construction.				149,763	149,763
Debt service:					
Principal retirement		507	136,817		137,324
Interest and fiscal charges.		617	157,332		157,949
Total expenditures	7,147,983	843,449	297,898	613,324	8,902,654
Excess (deficiency) of revenues (under) expenditures.	(607,583)	(3,068)	(18,577)	(347,847)	(977,075)
Other financing sources (uses):					
Operating transfers in.		10,000			10,000
Operating transfers out	(10,000)				(10,000)
Proceeds from sale of fixed assets	1,578				1,578
Total other financing sources (uses)	(8,422)	10,000			1,578
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(616,005)	6,932	(18,577)	(347,847)	(975,497)
Fund balances, July 1.	2,528,882	64,366	203,002	533,710	3,329,960
Fund balances, June 30.	<u>\$1,912,877</u>	<u>\$71,298</u>	<u>\$184,425</u>	<u>\$185,863</u>	<u>\$2,354,463</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,338,811	\$3,333,120	(\$5,691)				\$288,985	\$288,789	(\$196)	\$156,591	\$156,218	(\$373)	\$3,784,387	\$3,778,127	(\$6,260)
Tuition.....	305,802	305,885	83										305,802	305,885	83
Earnings on investments.....	194,500	194,988	488										194,500	194,988	488
Extracurricular activities.....				\$139,326	\$139,195	(\$131)							139,326	139,195	(131)
Contributions and donations.....	25,250	25,250	0	18,848	18,848	0							44,098	44,098	0
Other local revenues.....	71,095	75,831	4,736	780	780	0							71,875	76,611	4,736
Intergovernmental - State.....	3,017,702	3,008,220	(9,482)	101,684	101,677	(7)	23,572	22,874	(698)	137,308	136,675	(633)	3,280,266	3,269,446	(10,820)
Intergovernmental - Federal.....				518,708	513,733	(4,975)							518,708	513,733	(4,975)
Total revenues.....	<u>6,953,160</u>	<u>6,943,294</u>	<u>(9,866)</u>	<u>779,346</u>	<u>774,233</u>	<u>(5,113)</u>	<u>312,557</u>	<u>311,663</u>	<u>(894)</u>	<u>293,899</u>	<u>292,893</u>	<u>(1,006)</u>	<u>8,338,962</u>	<u>8,322,083</u>	<u>(16,879)</u>
Expenditures:															
Current:															
Instruction:															
Regular.....	3,768,718	3,708,421	60,297	321,650	303,401	18,249				179,202	163,941	15,261	4,269,570	4,175,763	93,807
Special.....	625,555	623,029	2,526	284,795	275,305	9,490							910,350	898,334	12,016
Vocational.....	60,747	58,534	2,213										60,747	58,534	2,213
Support services:															
Pupil.....	255,057	252,116	2,941	59,767	58,520	1,247							314,824	310,636	4,188
Instructional staff.....	219,892	214,999	4,893	118,292	106,696	11,596				4,800	500	4,300	342,984	322,195	20,789
Board of Education.....	12,093	11,462	631										12,093	11,462	631
Administration.....	884,157	883,277	880	3,000	2,600	400	15	1	14	560	419	141	887,732	886,297	1,435
Fiscal.....	251,227	245,258	5,969	3,458	3,458	0	3,950	3,882	68	4,045	4,018	27	262,680	256,616	6,064
Operations and maintenance.....	637,501	636,525	976	15,108	15,108	0				305,242	305,242	0	957,851	956,875	976
Pupil transportation.....	449,079	448,500	579	593	593	0				53,600	53,592	8	503,272	502,685	587
Extracurricular activities.....	145,366	143,985	1,381	97,899	96,104	1,795							243,265	240,089	3,176
Facilities aquisition and construction.....	3,700	0	3,700							207,285	205,064	2,221	210,985	205,064	5,921
Debt service:															
Principal retirement.....							136,817	136,817	0				136,817	136,817	0
Interest and fiscal charges.....							159,035	157,332	1,703				159,035	157,332	1,703
Total expenditures.....	<u>7,313,092</u>	<u>7,226,106</u>	<u>86,986</u>	<u>904,562</u>	<u>861,785</u>	<u>42,777</u>	<u>299,817</u>	<u>298,032</u>	<u>1,785</u>	<u>754,734</u>	<u>732,776</u>	<u>21,958</u>	<u>9,272,205</u>	<u>9,118,699</u>	<u>153,506</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(359,932)</u>	<u>(282,812)</u>	<u>77,120</u>	<u>(125,216)</u>	<u>(87,552)</u>	<u>37,664</u>	<u>12,740</u>	<u>13,631</u>	<u>891</u>	<u>(460,835)</u>	<u>(439,883)</u>	<u>20,952</u>	<u>(933,243)</u>	<u>(796,616)</u>	<u>136,627</u>
Other financing sources (uses):															
Refund of prior year's expenditures.....	33,836	33,303	(533)	122	122	0							33,958	33,425	(533)
Operating transfers in.....				10,000	10,000	0							10,000	10,000	0
Operating transfers (out).....	(10,000)	(10,000)	0										(10,000)	(10,000)	0
Advances in.....	36,000	36,000	0	19,500	19,500	0							55,500	55,500	0
Advances (out).....	(36,000)	(36,000)	0	(19,500)	(19,500)	0							(55,500)	(55,500)	0
Proceeds of sale of fixed assets.....	1,578	1,578	0										1,578	1,578	0
Total other financing sources (uses).....	<u>25,414</u>	<u>24,881</u>	<u>(533)</u>	<u>10,122</u>	<u>10,122</u>	<u>0</u>							<u>35,536</u>	<u>35,003</u>	<u>(533)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	<u>(334,518)</u>	<u>(257,931)</u>	<u>76,587</u>	<u>(115,094)</u>	<u>(77,430)</u>	<u>37,664</u>	<u>12,740</u>	<u>13,631</u>	<u>891</u>	<u>(460,835)</u>	<u>(439,883)</u>	<u>20,952</u>	<u>(897,707)</u>	<u>(761,613)</u>	<u>136,094</u>
Fund balances, July 1.....	2,260,041	2,260,041	0	107,886	107,886	0	138,046	138,046	0	467,200	467,200	0	2,973,173	2,973,173	0
Prior year encumbrances appropriated.....	89,772	89,772	0	20,397	20,397	0	0	0	0	121,565	121,565	0	231,734	231,734	0
Fund balances, June 30.....	<u>\$2,015,295</u>	<u>\$2,091,882</u>	<u>\$76,587</u>	<u>\$13,189</u>	<u>\$50,853</u>	<u>\$37,664</u>	<u>\$150,786</u>	<u>\$151,677</u>	<u>\$891</u>	<u>\$127,930</u>	<u>\$148,882</u>	<u>\$20,952</u>	<u>\$2,307,200</u>	<u>\$2,443,294</u>	<u>\$136,094</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees	\$12,337		\$12,337
Sales/charges for services	212,501	\$728,009	940,510
	<u>224,838</u>	<u>728,009</u>	<u>952,847</u>
Total operating revenues.			
Operating expenses:			
Personal services	182,160		182,160
Contract services	9,297	204,441	213,738
Materials and supplies.	148,538		148,538
Depreciation.	1,814		1,814
Claims expense		577,470	577,470
Other operating expenses	377		377
	<u>342,186</u>	<u>781,911</u>	<u>1,124,097</u>
Total operating expenses			
Operating income (loss)	<u>(117,348)</u>	<u>(53,902)</u>	<u>(171,250)</u>
Nonoperating revenues:			
Operating grants	74,720		74,720
Federal commodities	26,141		26,141
Interest revenue.	45	4,758	4,803
Miscellaneous.	427		427
	<u>101,333</u>	<u>4,758</u>	<u>106,091</u>
Total nonoperating revenues			
Net income (loss)	(16,015)	(49,144)	(65,159)
Retained earnings (accumulated deficit), July 1 . .	<u>(8,070)</u>	<u>91,596</u>	<u>83,526</u>
Retained earnings (accumulated deficit), June 30 .	<u>(\$24,085)</u>	<u>\$42,452</u>	<u>\$18,367</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$12,337		\$12,337
Cash received from sales/service charges	212,501	\$728,009	940,510
Cash payments for personal services	(181,541)		(181,541)
Cash payments for contract services	(9,447)	(204,441)	(213,888)
Cash payments for materials and supplies	(123,340)		(123,340)
Cash payments for claims expenses		(556,857)	(556,857)
Cash payments for other operating expenses	(377)		(377)
Net cash used in operating activities	<u>(89,867)</u>	<u>(33,289)</u>	<u>(123,156)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	74,720		74,720
Cash received from nonoperating activities	427		427
Cash received from interfund loans	16,500		16,500
Cash payments used in repayment of interfund loans	(16,500)		(16,500)
Net cash provided by noncapital financing activities	<u>75,147</u>	<u></u>	<u>75,147</u>
Cash flows from investing activities:			
Interest received	45	4,758	4,803
Net cash provided by investing activities	<u>45</u>	<u>4,758</u>	<u>4,803</u>
Net decrease in cash and cash equivalents	(14,675)	(28,531)	(43,206)
Cash and cash equivalents at beginning of year	26,074	182,432	208,506
Cash and cash equivalents at end of year	<u>\$11,399</u>	<u>\$153,901</u>	<u>\$165,300</u>
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(\$117,348)	(\$53,902)	(\$171,250)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	1,814		1,814
Federal donated commodities	26,141		26,141
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(95)		(95)
Increase in inventory held for resale	(2,562)		(2,562)
Increase in accrued wages	786		786
Decrease in accounts payable	(150)		(150)
Increase in compensated absences payable	641		641
Decrease in intergovernmental payable	(808)		(808)
Decrease in claims payable		20,613	20,613
Increase in deferred revenue	1,714		1,714
Net cash used in operating activities	<u>(\$89,867)</u>	<u>(\$33,289)</u>	<u>(\$123,156)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 433rd largest by enrollment among the 682 public and community school districts in the State, and 7th largest in Tuscarawas County. The District is staffed by 54 non-certificated employees, 95 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,211 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 District’s accounting policies are as follows:

A. Reporting Entity

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District

The Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Joint Vocational School District. Each participating District's control is limited to its representation on the Joint Vocational School District's Board of Education. During fiscal 2001, no monies were paid to the Joint Vocational School District from the District.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity (Continued)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by forty-nine member school districts in ten different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity (Continued)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Ohio Rev. Code Section 5705.62. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of the TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no measurable equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting

The 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 District functions or activities.

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

For GPFS presentation purposes, the various funds of the 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 District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Fund Types: (Continued)

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 District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for 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 District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure identifying items which would be subject to accrual for other fund types (See Note 3C).

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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 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 District, except those accounted for in the proprietary funds.

C. Measurement Focus and Basis of Accounting

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

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for the governmental 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 District is sixty days after fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

The 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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue on the combined balance sheet.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgetary Process (Continued)

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 tax rates.

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

The Board of Education 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. All supplemental appropriations were legally enacted by the Board during fiscal 2001.

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgetary Process (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the GPFS for proprietary funds.

Lapsing of Appropriations:

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

E. Cash and Investments

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

The District maintains a segregated bank account for monies held separate from the District's central bank account. The segregated bank account represents monies held by the District for the self-insurance plan. This interest bearing depository account is presented in the combined balance sheet as "Cash in segregated accounts".

During fiscal year 2001, investments were limited to STAR Ohio, certificates of deposit, and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Investments (Continued)

The District has invested funds in STAR Ohio during fiscal 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investments could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal 2001 amounted to \$198,643, which includes \$53,697 assigned from other 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 District are considered to be cash equivalents.

An analysis of the District's investments at year-end is provided in Note 4.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. At June 30, 2001, there were no significant inventory balances in the governmental funds. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(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 acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not have any infrastructure.

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Teacher Development
- Title I
- Title VI-B
- Title VI
- Network Connectivity
- Management Information Systems
- Ohio Reads
- Summer Intervention
- Conflict Management
- Safe School Helpline
- E-Rate
- SchoolNet Professional Development
- Eisenhower Grant
- Drug-Free Grant
- Title VI-R Classroom Reduction
- Raising the Bar

Capital Projects Funds

- Permanent Improvement
- SchoolNet
- Interactive Video Distance Learning

Reimbursable Grants

General Fund

- Driver Education Reimbursement
- Community Alternative Funding System

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 44 percent of the District's operating revenue during the 2001 fiscal year.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Compensated Absences

The District follows the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year-end are considered not to have been made with current available financial resources. Bonds, long-term notes, and capital leases are reported as a liability of the general long-term obligations account group until due.

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

K. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2001.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Interfund Transactions (Continued)

4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, tax advance unavailable for appropriation, debt service, Bureau of Workers’ Compensation (BWC) refunds, and bus purchase allowances. The reserve for tax advance unavailable for appropriation represents property taxes recognized as revenue under GAAP, but not available for appropriations under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

Because the District did not prepare GPFS in accordance with GAAP 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 GPFS. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. During fiscal year 2001, there were no additions to contributed capital (See Note 9).

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Estimates

The preparation of the GPFS in conformity with GAAP 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.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 19 for details.

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2001, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title VI-B	\$7,043
Management Information Systems	6
Teacher Development	41
<u>Enterprise Fund</u>	
Food Service	28,230

These funds complied with Ohio state law which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Title VI-B, Management Information Systems and Teacher Development special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Food Service enterprise fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, pension obligations and compensated absences attributable to the fiscal year. This deficit balances will be eliminated by user fees or other subsidies not recognized and recorded at June 30.

C. Agency Funds

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts receivable	\$12

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 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 District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**GARAWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The following information classifies equity in pooled cash and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agents".

Deposits: At fiscal year-end, the carrying amount of the District's deposits, including nonnegotiable certificates of deposit, was \$538,373 and the bank balances, including nonnegotiable certificates of deposit, was \$606,914. Of the bank balance:

1. \$200,000 was covered by federal depository insurance;
2. \$321,372 was collateralized with securities held by the financial institution's trust department or agent in the entity's name; and
3. \$85,542 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$ - - -	\$184,104	\$ 184,104	\$ 184,104
Federal agency securities	<u>189,883</u>	<u>- - -</u>	189,883	189,883
	<u>\$189,883</u>	<u>\$184,104</u>		
Investment in STAR Ohio			<u>1,877,832</u>	<u>1,877,832</u>
Total Investments			<u>\$2,251,819</u>	<u>\$2,251,819</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,790,192	\$ - - -
Investments of the cash management pool:		
Federal agency securities	(189,883)	189,883
Investment in STAR Ohio	(1,877,832)	1,877,832
Repurchase agreement	<u>(184,104)</u>	<u>184,104</u>
GASB Statement No. 3	<u>\$ 538,373</u>	<u>\$2,251,819</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ - - -	\$10,000
<u>Special Revenue Funds</u>		
Artsweek Donations	<u>10,000</u>	<u>- - -</u>
Total	<u>\$10,000</u>	<u>\$10,000</u>

NOTE 6 - PROPERTY TAXES

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed value upon which the 2000 taxes were collected was \$147,683,592. Agricultural/Residential and minerals real estate represented 63.76% or \$94,164,730 of this total; Commercial & Industrial real estate represented 17.54% or \$25,897,910 of this total, public utility tangible represented 6.02% or \$8,890,370 of this total and general tangible property represented 12.68% or \$18,730,582 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$41.70 per \$1,000.00 of assessed valuation for operations, \$2.00 per \$1,000.00 of assessed valuation for permanent improvements and \$1.50 per \$1,000.00 of assessed valuation for debt service.

The District receives property taxes from Tuscarawas, Coshocton and Holmes Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2001. 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, and recorded as revenue, at June 30, 2001, was \$529,589 in the general fund, \$31,994 in the debt service fund and \$32,109 in the Permanent Improvement capital projects fund.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,333,569
Accrued interest	6,420
Intergovernmental	10,855
 <u>Special Revenue Funds</u>	
Intergovernmental	\$ 96,621
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	286,395
 <u>Capital Projects Fund</u>	
Taxes - current and delinquent	144,668

NOTE 8 - FIXED ASSETS

A. A summary of the enterprise funds' fixed assets at June 30, 2001, as follows:

Furniture and equipment	\$ 72,691
Less: accumulated depreciation	<u>(43,086)</u>
Net fixed assets	<u><u>\$ 29,605</u></u>

B. A summary of the changes in general fixed assets during fiscal year 2001 as follows:

<u>Asset Category</u>	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Land and improvements	\$ 172,134	\$ ---	\$ ---	\$ 172,134
Building and improvements	4,504,295	491,501	---	4,995,796
Construction in progress	221,239	270,262	(491,501)	0
Furniture, fixtures and equipment	1,290,301	294,369	(65,608)	1,519,062
Vehicles	<u>707,743</u>	<u>35,780</u>	<u>---</u>	<u>743,523</u>
Totals	<u><u>\$6,895,712</u></u>	<u><u>\$1,091,912</u></u>	<u><u>\$(557,109)</u></u>	<u><u>\$7,430,515</u></u>

There was no construction in progress at June 30, 2001.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(Continued)

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2001 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 2000	\$28,156
Current contributions	<u> - - -</u>
Contributed capital, June 30, 2001	<u>\$28,156</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a capitalized lease for school buses and for a football sled. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined GPFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$205,679. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The principal and interest payments are being made out of the debt service fund for the school buses and the Athletic special revenue fund for the football sled. Principal payments in fiscal year 2001 totaled \$40,085 in the governmental funds.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2002	\$45,309
2003	<u>1,124</u>
Total	46,433
Less: amount representing interest	<u>(2,765)</u>
Present value of net minimum lease payments	<u>\$43,668</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	<u>Balance Outstanding July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Outstanding June 30, 2001</u>
General obligation bond: School Facilities - 7.3%	\$1,820,000	\$ - - -	\$ (75,000)	\$1,745,000
Energy conservation note	489,740	- - -	(22,239)	467,501
Capital lease obligation	83,753	- - -	(40,085)	43,668
Pension obligation	53,742	54,331	(53,742)	54,331
Compensated absences	<u>283,228</u>	<u>67,259</u>	<u>(30,320)</u>	<u>320,167</u>
Total general long-term obligations	<u>\$2,730,463</u>	<u>\$121,590</u>	<u>\$(221,386)</u>	<u>\$2,630,667</u>

General Obligation Bond - The District issued the voted general obligation bond for the purpose of constructing a high school building. The bond was issued for a twenty-four year period with final maturity at December 1, 2014. The bond will be retired from the debt service fund.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Energy Conservation Note - On June 8, 2000, the District issued a \$491,501 energy conservation note in accordance with Section 3313.372, Ohio Revised Code, and House Bill 264. This note bears an interest rate of 5.25% and matures on May 8, 2015. The primary source of repayment of this note is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end is accounted for in the general long-term obligations account group.

Capital leases will be paid from the debt service fund and the Athletic special revenue fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

- B.** Principal and interest requirements to retire the general obligation bond and energy conservation note outstanding at June 30, 2001, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u> <u>Bonds/Notes</u>	<u>Interest on</u> <u>Bonds/Notes</u>	<u>Total</u>
2002	\$ 103,440	\$ 146,272	\$ 249,712
2003	114,701	139,209	253,910
2004	125,972	131,255	257,227
2005	127,425	122,602	250,027
2006	128,901	113,926	242,827
2007 - 2011	779,511	422,944	1,202,455
2012 - 2015	<u>832,551</u>	<u>118,114</u>	<u>950,665</u>
Total	<u>\$2,212,501</u>	<u>\$1,194,322</u>	<u>\$3,406,823</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$11,740,948 (including available funds of \$184,425) and an unvoted debt margin of \$147,684.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 248 days or more per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment or retirement. Administrators, teachers and classified employees who work less than 248 days per year 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 to a maximum of 212 days for certified employees and 215 days for classified employees. Upon termination of employment or retirement, a certified employee or administrator receives payment for one-fourth of the total sick leave accumulation up to a maximum accumulation of 49 days. Upon termination of employment or retirement, a classified employee is paid for one-fourth of the total sick leave accumulation to a maximum accumulation of 48 days.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to employees through the Sun Life Assurance Company of Canada of \$15,000 and \$7,500 for full-time and part-time certified employees, respectively, of \$18,000 and \$9,000 for full-time and part-time classified employees, respectively, and \$75,000 for the Superintendent and \$50,000 for the Treasurer.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Indiana Insurance Company for property insurance, and Nationwide/Wausau Insurance Company for fleet insurance.

**GARAWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(Continued)

NOTE 13 - RISK MANAGEMENT - (Continued)

A. Comprehensive - (Continued)

Coverages provided and deductibles are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$23,802,657
Inland Marine Coverage (\$100 deductible)	283,560
Boiler and Machinery (\$500 deductible)	23,802,657
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000

Professional liability is protected by the Nationwide/Wausau Insurance Company with a \$1,000,000 single occurrence limit, a \$5,000,000 aggregate limit, and no deductible. The Nationwide/Wausau Insurance Company also maintains \$20,000 public official bonds for the Board President, Board Vice-President, Superintendent, Assistant Treasurer, and Athletic Director, as well as a \$25,000 bond for the Treasurer. In addition, the Ohio Casualty Insurance Company provides an \$8,000 public blanket bond for other employees.

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

B. Worker's Compensation

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Worker’s Compensation (Continued)

A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. The District paid \$1,551 in administrative fees and \$95 in an additional assessment to the GRP for fiscal year 2001.

C. Employee Group Life, Medical, Dental, and Vision Insurance

The District provides employee medical/surgical benefits through a self-insured plan and maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. For certified employees, the plan provides medical/surgical coverage which is 100% paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible followed by a 90% employee co-payment to a \$250 individual out-of-pocket maximum. For classified employees, the plan provides medical/surgical coverage which is 100% in-network and 90% out-of-network paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible in-network and \$200 individual and \$400 family annual deductible out-of-network, followed by a 90% in-network and 80% out-of-network employee co-payment to a \$250 per person and \$500 per family in-network and \$500 per person and \$1,000 per family out-of-network out-of-pocket maximum. A third party administrator, Klais & Company, Inc., of Akron, Ohio, reviews all claims which are then paid by the District. The District purchases stop-loss coverage of \$30,000 per individual from Pan American Life Insurance Company. The District also provides dental and vision coverage on this self-insured basis. The premiums are paid by the District at a rate of 90% for full-time employees and 50% for part-time employees. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information. Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$305.90	\$108.65
Dental	33.70	12.13
Vision	9.56	3.43

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Employee Group Life, Medical, Dental, and Vision Insurance (Continued)

The claims liability of \$111,449 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No.10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2001	\$90,836	\$577,470	\$(556,857)	\$111,449
2000	92,970	664,110	(666,244)	90,836

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year-ended June 30, 2001.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 212,501	\$12,337	\$ 224,838
Operating expenses less depreciation	329,407	10,965	340,372
Depreciation expense	1,814	---	1,814
Operating income (loss)	(118,720)	1,372	(117,348)
Donated commodities	26,141	---	26,141
Operating grants	74,720	---	74,720
Net income (loss)	(17,387)	1,372	(16,015)
Net working capital	(23,617)	4,145	(19,472)
Total assets	47,208	4,145	51,353
Total liabilities	47,282	---	47,282
Contributed capital	28,156	---	28,156
Total equity	(74)	4,145	4,071
Encumbrances outstanding at June 30, 2001	150	---	150

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$139,348, \$131,559, and \$124,219, respectively; 55.73 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$77,652, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$531,500, \$521,799, and \$480,398, respectively; 82.0 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$95,728, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees are not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, three members of the Board of Education have selected social security. The District's liability is 6.2 percent of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$170,839 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$97,544 during the 2001 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is 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:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(d) Unrecorded cash, which consists of unrecorded interest is not reported by the District on the budget basis operating statements, but is reported on the GAAP basis operating statements.

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

**Excess (Deficiency) of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Financing Uses**

All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(257,931)	\$(77,430)	\$ 13,631	\$(439,883)
Net adjustment for revenue accruals	(402,894)	66,148	(32,342)	(27,416)
Net adjustment for expenditure accruals	(35,290)	7,141	134	114,924
Net adjustment for other financing sources (uses) accruals	(33,303)	(122)	---	---
Encumbrances (budget basis)	<u>113,413</u>	<u>11,195</u>	<u>---</u>	<u>18,990</u>
GAAP basis	<u>\$(616,005)</u>	<u>\$ 6,932</u>	<u>\$(18,577)</u>	<u>\$(333,385)</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 18 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is not involved in significant litigation as either plaintiff or defendant.

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 18 - CONTINGENCIES - (Continued)

C. State School Funding Decision (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 29, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 19 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 38,616	\$ 0	\$ 84,837
Current year set-aside requirement	155,450	155,450	---
Current year set-aside for workers compensation	---	---	1,982
Reduction authorized by legislative restrictions	---	---	(46,695)
Current year offsets	(31,805)	(146,749)	---
Qualifying disbursements	<u>(191,641)</u>	<u>(41,991)</u>	<u>---</u>
Total	<u>\$ (29,380)</u>	<u>\$ (33,290)</u>	<u>\$ 40,124</u>
Cash balance carried forward to FY 2002	<u>\$ (29,380)</u>	<u>\$ 0</u>	<u>\$ 40,124</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 19 - STATUTORY RESERVES - (Continued)

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Monies representing Bureau of Workers' Compensation (BWC) refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund equity in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

The amount received for BWC refunds was \$40,124 at June 30, 2001.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

A 1.0 mill permanent improvement levy used for purchasing school buses and educational technology will expire December 31, 2001. A renewal levy is being placed on the November, 2001 election ballot at the same millage rate for five years.

Labor contracts with the Garaway Teachers' Association expired June 30, 2000. The District is still in negotiations with the Garaway Teachers' Association.

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**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: National School Lunch Program	N/A	10.555	\$71,978	\$0	\$71,978	\$0
Food Distribution	N/A	10.550	0	27,855	0	26,166
Total U.S. Department of Agriculture - Child Nutrition Cluster:			<u>71,978</u>	<u>27,855</u>	<u>71,978</u>	<u>26,166</u>
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-00 C1-S1-00C C1-S1-01	84.010	42,452 33,975 156,686	0 0 0	55,147 33,975 147,335	0 0 0
Total Title I Grants to Local Educational Agencies			<u>233,113</u>	<u>0</u>	<u>236,457</u>	<u>0</u>
Innovative Education Program Strategies	C2-S1-00 C2-S1-01	84.298	4,561 6,255	0 0	6,516 2,323	0 0
Total Innovative Education Program Strategies			<u>10,816</u>	<u>0</u>	<u>8,839</u>	<u>0</u>
Special Education_Grants to States	6B-SF-00 6B-SF-01	84.027	0 79,986	0 0	12,633 73,788	0 0
Total Special Education_Grants to States			<u>79,986</u>	<u>0</u>	<u>86,421</u>	<u>0</u>
Class Size Reduction	CR-S1-2000 CR-S1-2001	84.340	0 29,083	0 0	7,051 26,357	0 0
Total Class Size Reduction			<u>29,083</u>	<u>0</u>	<u>33,408</u>	<u>0</u>
Goals 2000 - State and Local Education Systemic Improvement Grants	G2-S2-99	84.276	0	0	8,264	0
Eisenhower Professional Development State Grants	MS-S1-2001	84.281	5,494	0	4,873	0
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2001	84.186	5,241	0	4,460	0
Technology Literacy Challenge Fund Grants	N/A	84.318	150,000	0	149,027	0
Total U.S. Department of Education			<u>513,733</u>	<u>0</u>	<u>531,749</u>	<u>0</u>
Total			<u>\$585,711</u>	<u>\$27,855</u>	<u>\$603,727</u>	<u>\$26,166</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had food commodities valued at \$4,485 in inventory.



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

Garaway Local School District
Tuscarawas County
146 Dover Avenue
P.O. Box 339
Sugarcreek, OH 44681

To the Board of Education:

We have audited the general purpose financial statements of Garaway Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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 an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated October 29, 2001.

Internal Control Over Financial Reporting

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

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

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 District in a separate letter dated October 29, 2001.

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

Jim Petro
Auditor of State

October 29, 2001



STATE OF OHIO
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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**

Garaway Local School District
Tuscarawas County
146 Dover Avenue
P.O. Box 339
Sugar creek, OH 44681

To the Board of Education:

Compliance

We have audited the compliance of Garaway Local School District, Tuscarawas County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

October 29, 2001

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

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 CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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GARAWAY LOCAL SCHOOL DISTRICT

TUSCARAWAS 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
DECEMBER 18, 2001**