

**JOHNSTOWN-MONROE
LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001

SUSAN WARD, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Johnstown-Monroe Local School District

We have reviewed the Independent Auditor's Report of the Johnstown-Monroe Local School District, Licking County, prepared by Trimble, Julian & Grube, Inc. for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

November 29, 2001

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**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2 - 3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types	5
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type	6
Combined Statement of Cash Flows - Proprietary Fund Type	7
Notes to the General Purpose Financial Statements.	8 - 45
Report on Compliance and on Internal Control Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46 - 47

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor's Report

Board of Education
Johnstown-Monroe Local School District
441 S. Main Street
Johnstown, OH 43031

We have audited the accompanying general purpose financial statements of the Johnstown-Monroe Local School District, Licking County, (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 the 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 Johnstown-Monroe Local School District, Licking County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type 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 November 5, 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.

Trimble, Julian & Grube, Inc.
November 5, 2001

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise		Trust and Agency	General
										Fixed Assets
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents	\$808,243	\$67,522	\$315,106	\$43,138	\$39,742	\$93,356		\$1,367,107		
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent	3,354,800		44,236					3,399,036		
Accounts	11,342	280						11,622		
Accrued interest receivable	1,682							1,682		
Due from other governments	4,873							4,873		
Prepayments.	9,893							9,893		
Materials and supplies inventory	9,973				4,654			14,627		
Restricted assets:										
Equity in pooled cash and cash equivalents	35,940							35,940		
Property, plant and equipment (net of accumulated depreciation where applicable)					50,326		\$6,304,147	6,354,473		
OTHER DEBITS:										
Amount available in Debt Service Fund							\$319,872	319,872		
Amount to be provided for retirement of General Long-Term Obligations							1,261,305	1,261,305		
Total assets and other debits.	\$4,236,746	\$67,802	\$359,342	\$43,138	\$94,722	\$93,356	\$6,304,147	\$12,780,430		

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

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency		General	Long-Term Obligations
										General Fixed Assets	
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$20,842	\$4,436			\$500				\$25,778		
Accrued wages and benefits	634,423	4,233			\$16,545				655,201		
Compensated absences payable	21,767				9,826		\$664,091		695,684		
Pension obligation payable	109,086	28			14,583		49,388		173,085		
Deferred revenue	2,979,755		\$39,470		3,299				3,022,524		
Due to students						34,667			34,667		
General obligation bonds payable							375,000		375,000		
Energy conservation notes payable							386,428		386,428		
Early retirement incentive payable							40,000		40,000		
Obligation under capital lease							66,270		66,270		
Total liabilities	3,765,873	8,697	39,470		44,253		1,581,177		5,474,637		
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets								\$6,304,147	6,304,147		
Retained earnings: unreserved					50,469				50,469		
Fund balances:											
Reserved for encumbrances	93,732	12,524				2,010			108,266		
Reserved for materials and supplies inventory	9,973								9,973		
Reserved for prepayments	9,893								9,893		
Reserved for debt service			315,106						315,106		
Reserved for tax revenue unavailable for appropriation	375,045		4,766						379,811		
Reserved for BWC refunds	35,940								35,940		
Unreserved:											
Designated for budget stabilization	147,276						\$43,138		147,276		
Unreserved-undesignated	(200,986)	46,581							(55,088)		
Total equity and other credits	470,873	59,105	319,872		50,469	58,189	6,304,147		7,305,793		
Total liabilities, equity and other credits	\$4,236,746	\$67,802	\$359,342		\$94,722	\$93,356	\$1,581,177		\$12,780,430		

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

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$3,151,468		\$41,560			\$3,193,028
Tuition	10,208					10,208
Earnings on investments	107,894					107,894
Other local revenues	98,142	\$186,718			\$23,631	308,491
Other revenue		14,542				14,542
Intergovernmental - State	4,029,150	89,255	5,534	\$78,938		4,202,877
Intergovernmental - Federal	1,300	241,184				242,484
Total revenues	7,398,162	531,699	47,094	78,938	23,631	8,079,524
Expenditures:						
Current:						
Instruction:						
Regular	3,641,100	48,561		21,865		3,711,526
Special	498,093	175,391				673,484
Vocational	153,752	33,677				187,429
Other				7,023		7,023
Support services:						
Pupil	436,128	16,818				452,946
Instructional staff	319,316	21,786				341,102
Board of Education	22,637				4,710	27,347
Administration	590,754	8,478			29,531	628,763
Fiscal	220,618		1,839			222,457
Operations and maintenance	860,006			1,431		861,437
Pupil transportation	498,998					498,998
Central	44,903	50,960		15,194		111,057
Community services		1,350			12,411	13,761
Extracurricular activities	200,625	180,206				380,831
Facilities services	17,672			20,796		38,468
Debt service:						
Principal retirement	17,163		98,184			115,347
Interest and fiscal charges	7,115		57,947			65,062
Total expenditures	7,528,880	537,227	157,970	66,309	46,652	8,337,038
Excess (deficiency) of revenues over (under) expenditures	(130,718)	(5,528)	(110,876)	12,629	(23,021)	(257,514)
Other financing sources (uses):						
Operating transfers in			42,974			42,974
Operating transfers out	(42,974)					(42,974)
Proceeds from sale of assets	4,336					4,336
Total other financing sources (uses)	(38,638)		42,974			4,336
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(169,356)	(5,528)	(67,902)	12,629	(23,021)	(253,178)
Fund balance, July 1	640,655	64,633	387,774	30,509	81,210	1,204,781
Decrease in reserve for inventory	(426)					(426)
Fund balance, June 30	\$470,873	\$59,105	\$319,872	\$43,138	\$58,189	\$951,177

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

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING 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 FISCAL YEAR ENDED JUNE 30, 2001

	General				Special Revenue				Debt Service				Capital Projects				Total (Memorandum only)				
	Revised Budget		Actual		Revised Budget		Actual		Revised Budget		Actual		Revised Budget		Actual		Revised Budget		Actual		
		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)	
Revenues:																					
From local sources:																					
Taxes.....	\$3,127,214	\$0	\$3,127,214	\$0	\$42,800	\$42,800	\$42,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Tuition.....	19,592	0	19,592	0																	
Earnings on investments.....	106,212	0	106,212	0																	
Other local revenues.....	53,924	0	53,924	0	\$186,273	\$186,273	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other revenue.....	4,025,427	0	4,025,427	0	14,542	14,542	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Intergovernmental - State.....	1,300	0	1,300	0	92,272	92,272	5,534	5,534	0	0	0	0	0	0	0	0	0	0	0	0	
Intergovernmental - Federal.....	7,333,669	0	7,333,669	0	239,936	239,936	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total revenues.....																					
Expenditures:																					
Current:																					
Instruction:																					
Regular.....	3,670,254	0	3,670,254	0	48,779	48,779	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Special.....	512,885	0	512,885	0	176,441	176,441	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Vocational.....	146,641	0	146,641	0	35,412	35,412	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Support services:																					
Pupil.....	423,838	0	423,838	0	18,172	18,172	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Instructional staff.....	325,828	0	325,828	0	22,676	22,676	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Board of Education.....	28,849	0	28,849	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Administration.....	615,074	0	615,074	0	8,477	8,477	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Fiscal.....	228,003	0	228,003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Operations and maintenance.....	908,814	0	908,814	0	0	0	1,892	1,892	0	0	0	0	0	0	0	0	0	0	0	0	
Pupil transportation.....	502,010	0	502,010	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Central.....	50,611	0	50,611	0	50,745	50,745	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Community services.....	199,214	0	199,214	0	1,350	1,350	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Extracurricular activities.....	17,672	0	17,672	0	190,213	190,213	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Facilities services.....																					
Debt service:																					
Principal retirement.....																					
Interest and fiscal charges.....																					
Total expenditures.....	7,629,693	0	7,629,693	0	552,265	552,265	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Excess (deficiency) of revenues over (under) expenditures.....	(296,024)	0	(296,024)	0	(19,242)	(19,242)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other financing sources (uses):																					
Refund of prior year's expenditures.....	36,328	0	36,328	0	16,149	16,149	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Refund of prior year's receipts.....																					
Operating transfers in.....	52,409	0	52,409	0	445	445	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Operating transfers (out).....	(95,383)	0	(95,383)	0	(445)	(445)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Advances in.....	4,500	0	4,500	0	(4,500)	(4,500)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Advances (out).....																					
Proceeds of sale of fixed assets.....	4,336	0	4,336	0																	
Total other financing sources (uses).....	2,190	0	2,190	0	11,649	11,649	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(293,834)	0	(293,834)	0	(7,593)	(7,593)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Fund balances, July 1.....	908,314	0	908,314	0	47,556	47,556	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Prior year encumbrances appropriated.....	123,173	0	123,173	0	11,197	11,197	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Fund balances, June 30.....	\$737,653	\$0	\$737,653	\$0	\$51,160	\$51,160	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

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

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees.	\$5,356
Sales/charges for services.	179,918
Total operating revenues.	<u>185,274</u>
Operating expenses:	
Personal services	137,024
Contract services	3,952
Materials and supplies.	108,321
Depreciation	3,516
Total operating expenses.	<u>252,813</u>
Operating loss.	<u>(67,539)</u>
Nonoperating revenues:	
Operating grants	40,415
Federal commodities.	14,913
Interest revenue	1,079
Total nonoperating revenues	<u>56,407</u>
Net loss	(11,132)
Retained earnings, July 1	<u>61,601</u>
Retained earnings, June 30	<u><u>\$50,469</u></u>

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

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$5,356
Cash received from sales/service charges	179,918
Cash payments for personal services.	(136,853)
Cash payments for contract services	(3,952)
Cash payments for supplies and materials	(92,322)
Net cash used in operating activities.	(47,853)
Cash flows from noncapital financing activities:	
Cash received from operating grants.	40,415
Net cash provided by noncapital financing activities.	40,415
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,759)
Net cash used in capital and related financing activities	(3,759)
Cash flows from investing activities:	
Interest received	1,079
Net cash provided by investing activities.	1,079
Net decrease in cash and cash equivalents.	(10,118)
Cash and cash equivalents at beginning of year.	49,860
Cash and cash equivalents at end of year.	\$39,742
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	(\$67,539)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,516
Federal donated commodities	14,913
Changes in assets and liabilities:	
Decrease in supplies inventory	1,302
Increase in accrued wages & benefits	1,682
Increase in compensated absences payable.	394
Decrease in pension obligation payable	(1,905)
Decrease in deferred revenue.	(216)
Net cash used in operating activities.	(\$47,853)

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Johnstown-Monroe Local School District (the "District") is located in Licking County, in Johnstown, Ohio. The District was established in 1813 through the consolidation of existing land areas and school districts. The District currently serves an area of approximately 49 square miles and includes all of the Village of Johnstown and portions of Liberty, Monroe, and Jersey Townships, and Harlem Township in Delaware County.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 4 instructional buildings, 1 administrative building and 1 garage. The District employs 39 non-certified and 97 (including administrative) full-time and part-time employees to provide services to approximately 1,408 students in grades K through 12 and various community groups, which ranks it 394 out of approximately 682 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America 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's significant accounting policies are described below.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements 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 of the District. 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

Jointly Governed Organizations

Licking Area Computer Association (LACA) - LACA is a jointly governed organization among 13 school districts. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. Each of the member districts support LACA based upon a per pupil charge, dependent upon services utilized. LACA is governed by a board of directors consisting of one superintendent or his/her designee from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the Board. In the event of the dissolution of LACA, the participants will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contributions and likewise shall participate in proceeds from the sale of assets upon liquidation. In accordance with GASB statement No. 14, the District does not have an equity interest in LACA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. The Licking County Joint Vocational School District is the fiscal agent for LACA. Financial statements for LACA can be obtained from Licking County Joint Vocational School District administrative offices at 150 Price Road, Newark, Ohio 43055.

Licking County Joint Vocational School - The Licking County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Education consisting of one representative from each of the nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial statements can be obtained from Licking County Joint Vocational School District administrative offices at 150 Price Road, Newark, Ohio 43055.

The District is also a participant in an insurance group purchasing pool, discussed in Note 11.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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 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 general 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 in accordance with applicable Ohio statute.

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

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

Capital Projects Funds - 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 and Trust Funds).

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has 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.

FIDUCIARY FUNDS

Trust and Agency Funds - These 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 Expendable Trust and Agency Funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts 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 group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (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 operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. 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 future appropriations. 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.

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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental Funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities 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 revenues.

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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District's Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency Funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed fiscal year 2001 within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased (decreased) the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$(146,552)
Special Revenue Funds	37,399
Debt Service Fund	(7,666)
Capital Projects Funds	(57,339)
Enterprise Funds	(14,096)
Trust Funds	(48,364)
Agency Funds	<u>(52,861)</u>
 Total	 <u><u>\$(289,479)</u></u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District utilizes encumbrances in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 12 to the financial statements.

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.

During fiscal year 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit, and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

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 year 2001 totaled \$107,894, which included \$41,353 assigned from other funds of the District.

An analysis of the Treasurer's investment account at fiscal year-end is provided in Note 4.

F. Inventory

Inventories for all Governmental Funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicate that they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary Funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepayments

Prepayments for Governmental Funds represent cash disbursements, which have occurred and are not, therefore, current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental Fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than five years. 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. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase

Debt Service Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Eisenhower Grant
Title VI-B
Title I
Title VI
Drug-Free Schools
Instructional Materials Subsidy
SchoolNet Professional Development
Ohio Reads
Summer Intervention
Vocational Education Enhancements

Non-Reimbursable Grants - (Continued)

Capital Project Funds

SchoolNet Equipment
Technology Equity
Power-Up Technologies
Interactive Video Distance Learning

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
National School Milk Program

Grants and entitlements amounted to over 54% of the District's operating revenue during the 2001 fiscal year.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

K. Long-Term Obligations

In general, Governmental Fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences, contractually required pension contributions, and early retirement incentives that will be paid from Governmental Funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

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

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, materials and supplies inventory, debt service, tax revenue unavailable for appropriation, prepayments and Bureau of Workers Compensation (BWC) refunds. The reserve for property taxes represents taxes recognized as revenue in accordance with GAAP, but not available for appropriation in accordance with Ohio statute. The District reports amounts set-aside by the School Board for budget stabilization as a designation of fund balance in the general fund. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

M. Early Retirement Incentive

During fiscal year 2000, the District established an Early Retirement Incentive Bonus. Eligible certificated employees who complete not more than 30 or 31 years of service between July 1 and June 30 or who complete no more than 25 or 26 years of service between July 1 and June 30 and have attained the age of 55 years, may make written application for the retirement incentive bonus between January 1 and April 30 of the year in which the required number of years of service is completed. Eligible members making application must teach the remainder of the contract year. Employees who retire in the first year of eligibility receive a \$10,000 bonus; \$5,000 if retirement occurs in the second year of eligibility.

N. Interfund Transactions

Transactions between funds during the course of normal operations may occur. 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 report 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.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund, which provides a service records revenue, and the fund, which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

6. 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.

An analysis of the District’s interfund transactions for fiscal year 2001 is presented in Note 5.

O. Statutory Reserves

The District is required by State law to set-aside certain (cash basis) General fund revenue amounts, as defined by statute, into various reserves. 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	\$ (10,570)	\$ 0	\$ 130,807
Current year set-aside requirement	157,227	157,227	
Qualifying disbursements	(170,392)	(285,601)	
Change in statutory requirement	<u> </u>	<u> </u>	<u>(130,807)</u>
Total	<u>(23,735)</u>	<u>(128,374)</u>	<u>0</u>
Cash balance carried forward to FY 2002	<u>\$ (23,735)</u>	<u>\$ 0</u>	<u>\$ 0</u>

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. Monies representing 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 designated fund balance in the general fund since the School Board reestablished a budget stabilization reserve in accordance with ORC Section 5705.13 by June 30, 2001. In addition to these funds, the District added \$52,409 to the budget stabilization reserve in fiscal 2001. The balance in the budget stabilization designation at June 30, 2001, was \$147,276. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount 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.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	<u>\$35,940</u>
Total restricted assets	<u>\$35,940</u>

P. Statement of Cash Flows

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise Funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Estimates

The preparation of financial statements 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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

S. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, 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 may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances

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

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Ohio Reads	\$ (34)
Miscellaneous Federal Grants	(1,080)

These funds complied with Ohio statute, which does not permit a cash basis deficit at year-end. These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Funds

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

ASSETS

Accounts receivable	\$2,841
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LIABILITIES

Accounts payable	\$ 203
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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, 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 moneys deposited with the institution.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys 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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

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.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$510,571 and the bank balance was \$753,329 (both amounts include \$599,000 in non-negotiable certificates of deposit and are inclusive of payroll clearance accounts). Of the bank balance:

1. \$699,000 was covered by federal depository insurance.
2. \$54,329 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

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

	Category of Risk 3	Fair Value
Repurchase Agreement	\$54,509	\$ 54,509
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool (STAR Ohio)	_____	837,967
Total Investments	\$54,509	\$892,476

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

A reconciliation between the classifications of cash, 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:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$1,403,047	\$ 0
Investments of the Cash		
Management Pool:		
State Treasurer's Investment Pool	(837,967)	837,967
Repurchase Agreement	(54,509)	54,509
GASB Statement No. 3	\$ 510,571	\$892,476

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

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

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(42,974)
Debt Service Fund	\$42,974	_____
Totals	<u>\$42,974</u>	<u>\$(42,974)</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue, which would otherwise have been collected.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected were as follows:

	2000 Second-Half		2001 First-Half	
	Collections		Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$124,107,370	90.75	\$128,206,920	91.47
Public Utility Personal	4,935,660	3.62	5,215,280	3.72
Tangible Personal Property	<u>7,710,362</u>	<u>5.63</u>	<u>6,742,050</u>	<u>4.81</u>
	<u>\$136,753,392</u>	<u>100.00</u>	<u>\$140,164,250</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$40.50		\$41.30
Debt Service		2.90		2.90

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Licking County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, 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, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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 future appropriations. 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. Available tax advances at June 30, 2001, totaled \$375,045 in the General fund and \$4,766 in the Debt Service fund.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees) and intergovernmental grants and entitlements (to the extent that such grants and entitlements relate to the current 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 year guarantee of Federal grants.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$3,354,800
Accounts	11,342
 <u>Debt Service Funds</u>	
Taxes - Current and Delinquent	44,236

NOTE 8 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during fiscal year 2001:

	<u>Balance July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2001</u>
Land/Improvements	\$ 257,745			\$ 257,745
Buildings/Improvements	3,848,501	\$153,298		4,001,799
Furniture/Equipment	1,645,385	164,390	\$(108,773)	1,701,002
Vehicles	406,428	483	(63,310)	343,601
 Total	 <u>\$6,158,059</u>	 <u>\$318,171</u>	 <u>\$(172,083)</u>	 <u>\$6,304,147</u>

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$117,254
Less: Accumulated Depreciation	(66,928)
Net Fixed Assets	<u>\$ 50,326</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District has entered into capitalized leases for the acquisition of telephone and voice mail systems.

Each lease meets 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 at the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the General fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$95,791, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$17,163. This amount is reflected as debt service principal retirement in the General fund.

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

Year Ending June 30	General Long-Term Obligations	Telephone and Voice-Mail Systems
2002		\$ 24,277
2003		24,278
2004		24,279
2005		<u>4,048</u>
Total Future Minimum Lease Payments		76,882
Less: Amount Representing Interest		<u>(10,612)</u>
Present Value of Future Minimum Lease Payments		<u>\$ 66,270</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS

General obligation bonds and Energy Conservation notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source of payment is derived from a current 2.90 mill bonded debt tax levy for the auditorium renovation bond and from current operating revenue for the Energy Conservation notes.

A. The following is a description of the District's bonds and notes outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 07/01/00</u>	<u>Retired in Fiscal 2001</u>	<u>Balance 06/30/01</u>
Auditorium Renovation	9.25%	2/01/85	12/01/05	\$1,500,000	\$450,000	\$75,000	\$375,000
Energy Conservation Note	4.90%	4/22/99	4/22/13	<u>431,700</u>	<u>409,612</u>	<u>23,184</u>	<u>386,428</u>
				<u>\$1,931,700</u>	<u>\$859,612</u>	<u>\$98,184</u>	<u>\$761,428</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation note and general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal on General Obligation Bond</u>	<u>Interest on General Obligation Bond</u>	<u>Principal on HB 264 Energy Conservation Note</u>	<u>Interest on HB 264 Energy Conservation Note</u>	<u>Total</u>
2002	\$ 75,000	\$31,219	\$ 24,334	\$ 18,641	\$149,194
2003	75,000	24,281	25,541	17,434	142,256
2004	75,000	17,344	26,808	16,167	135,319
2005	75,000	10,406	28,136	14,837	128,379
2006	75,000	3,469	29,533	13,441	121,443
2007 - 2011			171,145	43,727	214,872
2012 - 2013			<u>80,931</u>	<u>5,017</u>	<u>85,948</u>
Total	<u>\$375,000</u>	<u>\$86,719</u>	<u>\$386,428</u>	<u>\$129,264</u>	<u>\$977,411</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences, the retirement incentive, and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated Absences	\$ 594,329	\$164,497	\$ (94,735)	\$ 664,091
Pension Obligation Payable	41,461	49,388	(41,461)	49,388
Retirement Incentive Payable	5,000	50,000	(15,000)	40,000
General Obligation Bonds	450,000		(75,000)	375,000
HB 264 Energy				
Conservation Notes	409,612		(23,184)	386,428
Capital Lease	<u>83,433</u>	<u> </u>	<u>(17,163)</u>	<u>66,270</u>
 TOTAL	 <u>\$1,583,835</u>	 <u>\$263,885</u>	 <u>\$(266,543)</u>	 <u>\$1,581,177</u>

D. 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 code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 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 \$12,559,686 (including available funds of \$319,903), an unvoted debt margin of \$140,164, and an unvoted energy conservation debt margin of \$875,050.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2001, the District contracted with various commercial insurance carriers for the following coverages:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limitations</u>
Building and Contents - replacement cost	\$1,000	\$ 17,551,600
Vehicle Liability	none	2,000,000
Uninsured Motorists	none	12,500/25,000
Crime	none	2,500/10,000
Boiler and Machinery	1,000	8,200,000
Electronic Equipment	100	233,214
General Liability:		
Per Occurance	none	1,000,000
Total Per Year		5,000,000

The District provides medical/surgical benefits insurance to its employees through United Health Care, a fully funded program. The District has elected to provide employee dental insurance through Core Source, another fully funded program. The District provides life insurance and accidental death and dismemberment insurance to most employees through Unum Insurance Company.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

Settled claims have not exceeded this commercial coverage in any of the past three years.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and the Summer School Program. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Summer School Program</u>	<u>Total</u>
Operating Revenue	\$179,918	\$4,476	\$880	\$185,274
Depreciation Expense	3,516			3,516
Operating Income (Loss)	(69,099)	680	880	(67,539)
Nonoperating Revenue:				
Operating Grants	40,415			40,415
Federal Commodities	14,913			14,913
Net Income (Loss)	(12,692)	680	880	(11,132)
Net Working Capital	5,515	3,574	880	9,969
Fixed Assets:				
Additions	3,759			3,759
Total Assets	90,268	3,574	880	94,722
Long-Term liabilities payable from fund revenues	9,826			9,826
Total Fund Equity	46,015	3,574	880	50,469
Encumbrances at June 30, 2001	3,282			3,282

NOTE 13 - 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. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$102,727, \$97,255, and \$101,652, respectively; 34.1% has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$67,704, which represents 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14 percent ; 9.5% 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% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$544,889, \$501,009, and \$458,424, respectively; 84% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$88,512, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

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 are required to pay a portion of 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% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$175,143 during the 2001 fiscal year.

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 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 10 or more fiscal years of qualifying service credit, disability recipients, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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% of the premium.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll, an increase from 8.45% for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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% 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% 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 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 \$80,685 during the 2001 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - 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 the 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) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds (GAAP basis).

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

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

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$(293,834)	\$ (7,593)	\$(66,715)	\$12,599
Net Adjustment for Revenue Accruals	64,493	(1,324)	(1,240)	(1)
Net Adjustment for Expenditure Accruals	(5,717)	(1,323)	53	(6,992)
Net Adjustment for Other Financing Sources/(Uses)	(40,828)	(11,649)		7,023
Adjustment for Encumbrances	<u>106,530</u>	<u>16,361</u>	_____	_____
GAAP Basis	<u>\$(169,356)</u>	<u>\$ (5,528)</u>	<u>\$(67,902)</u>	<u>\$12,629</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 16 - CONTINGENT LIABILITIES

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

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

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.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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

NOTE 16 - CONTINGENT LIABILITIES - (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 September 28, 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 recommendation.

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

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Johnstown-Monroe Local School District
441 S. Main Street
Johnstown, Ohio 43031

We have audited the general purpose financial statements of Johnstown-Monroe Local School District, Licking County, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 5, 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 Johnstown-Monroe Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnstown-Monroe Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Johnstown-Monroe Local School District in a separate letter dated November 5, 2001.

Board of Education
Johnstown-Monroe Local School District

This report is intended for the information and use of the management and Board of Education of Johnstown-Monroe Local School District, Licking County, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
November 5, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

JOHNSTOWN-MONROE LOCAL SCHOOL SCHOOL DISTRICT

LICKING 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 6, 2001**