



**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types .....	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types .....	15
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual - All Proprietary Fund Types .....	16
Combined Statement of Cash Flows - All Proprietary Fund Types .....	18
Notes to the General Purpose Financial Statements .....	19
Schedule of Federal Awards Receipts and Expenditures .....	44
Notes to Schedule of Federal Awards Receipts and Expenditures .....	46
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	47
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	49
Schedule of Findings - <i>OMB Circular A-133 § .505</i> .....	51

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of East Muskingum Local School District, Muskingum County, Ohio (the School 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 School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of East Muskingum Local School District, Muskingum County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the School District adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

December 14, 2001

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**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,531,290	\$219,541	\$103,862	\$2,566,823
Cash and Cash Equivalents In Segregated Accounts		2,064		
Investments				7,251,015
Receivables:				
Property Taxes	4,100,914	76,614	471,991	480,005
Accounts	11,239			
Intergovernmental	8,505	94,182		20,794,357
Accrued Interest				40,843
Prepaid Items	88,442	3,297		
Inventory Held for Resale				
Materials and Supplies Inventory	81,910			
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	63,285			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$5,885,585</b>	<b>\$395,698</b>	<b>\$575,853</b>	<b>\$31,133,043</b>



<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$136,887	\$699,187	\$43,196	\$0	\$0	\$5,300,786
					2,064
					7,251,015
					5,129,524
					11,239
					20,897,044
					40,843
1,848					93,587
5,601					5,601
1,099					83,009
					63,285
110,006			14,616,646		14,726,652
				302,471	302,471
				8,026,681	8,026,681
<u>\$255,441</u>	<u>\$699,187</u>	<u>\$43,196</u>	<u>\$14,616,646</u>	<u>\$8,329,152</u>	<u>\$61,933,801</u>

(continued)

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	\$84,345	\$7,216	\$0	\$7,105
Accrued Wages and Benefits Payable	1,086,774	63,905		
Compensated Absences Payable	24,256			
Intergovernmental Payable	257,010	4,464		54
Deferred Revenue	2,637,168	112,251	273,382	21,106,627
Due to Students				
Accrued Interest Payable	323			
Claims Payable				
Energy Conservation Loan Payable	82,044			
General Obligation Bonds Payable				
Special Termination Benefits Payable	44,547			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>4,216,467</u>	<u>187,836</u>	<u>273,382</u>	<u>21,113,786</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	465,211	27,245		137,871
Reserved for Unclaimed Monies	1,343			
Reserved for Property Taxes	1,470,652	31,032	198,609	167,735
Reserved for Budget Stabilization	63,285			
Reserved for Inventory	81,910			
Unreserved, Undesignated (Deficit)	(413,283)	149,585	103,862	9,713,651
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	<u>1,669,118</u>	<u>207,862</u>	<u>302,471</u>	<u>10,019,257</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u><b>\$5,885,585</b></u>	<u><b>\$395,698</b></u>	<u><b>\$575,853</b></u>	<u><b>\$31,133,043</b></u>

*The notes to the financial statements are an integral part of this statement.*

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$747	\$0	\$0	\$0	\$0	\$99,413
4,519					1,155,198
10,065				785,045	819,366
45,811				98,219	405,558
3,156					24,132,584
		43,196			43,196
					323
	100,255				100,255
					82,044
				7,445,888	7,445,888
6,247					50,794
<u>70,545</u>	<u>100,255</u>	<u>43,196</u>	<u>0</u>	<u>8,329,152</u>	<u>34,334,619</u>
			14,616,646		14,616,646
219,747					219,747
(34,851)	598,932				564,081
					630,327
					1,343
					1,868,028
					63,285
					81,910
					9,553,815
<u>184,896</u>	<u>598,932</u>	<u>0</u>	<u>14,616,646</u>	<u>0</u>	<u>27,599,182</u>
<u>\$255,441</u>	<u>\$699,187</u>	<u>\$43,196</u>	<u>\$14,616,646</u>	<u>\$8,329,152</u>	<u>\$61,933,801</u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>
<b>Revenues:</b>			
Property Taxes	\$3,867,535	\$71,434	\$280,834
Intergovernmental	7,682,792	730,895	27,354
Interest	208,464	561	
Tuition and Fees	90,769		
Extracurricular Activities		317,004	
Rent	820		
Miscellaneous	186,282	4,241	
<b>Total Revenues</b>	<b>12,036,662</b>	<b>1,124,135</b>	<b>308,188</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	6,058,385	274,196	
Special	716,081	410,208	
Vocational	170,522		
Other	63,331		
Support Services:			
Pupils	297,906	15,075	
Instructional Staff	423,674	48,013	
Board of Education	32,067		
Administration	1,293,003	3,458	
Fiscal	233,613	893	5,717
Operation and Maintenance of Plant	999,189		
Pupil Transportation	842,407	1,463	
Central	37,556	8,253	
Extracurricular Activities	240,021	317,010	
Non-Instructional Services		4,271	
Capital Outlay	929		
Debt Service:			
Interest and Fiscal Charges	5,073		
<b>Total Expenditures</b>	<b>11,413,757</b>	<b>1,082,840</b>	<b>5,717</b>
Excess of Revenues Over Expenditures	622,905	41,295	302,471
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	20		
Proceeds from Sale of Bonds			
Operating Transfers In			
Operating Transfers Out	(208,000)		
<b>Total Other Financing Sources (Uses)</b>	<b>(207,980)</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	414,925	41,295	302,471
Fund Balances at Beginning of Year (Restated - Note 3)	1,244,502	166,567	0
Increase in Reserve for Inventory	9,691		
<b>Fund Balances at End of Year</b>	<b>\$1,669,118</b>	<b>\$207,862</b>	<b>\$302,471</b>

*The notes to the financial statements are an integral part of this statement.*

<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
\$621,736	\$4,841,539
588,744	9,029,785
305,027	514,052
	90,769
	317,004
	820
	190,523
<u>1,515,507</u>	<u>14,984,492</u>
0	6,332,581
0	1,126,289
0	170,522
0	63,331
0	312,981
0	471,687
0	32,067
0	1,296,461
0	240,223
0	999,189
0	843,870
0	45,809
0	557,031
0	4,271
933,190	934,119
<u>178,839</u>	<u>183,912</u>
<u>1,112,029</u>	<u>13,614,343</u>
<u>403,478</u>	<u>1,370,149</u>
0	20
7,443,000	7,443,000
208,000	208,000
0	(208,000)
<u>7,651,000</u>	<u>7,443,020</u>
8,054,478	8,813,169
1,964,779	3,375,848
0	9,691
<u><b>\$10,019,257</b></u>	<u><b>\$12,198,708</b></u>

MUSKINGUM COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Property Taxes	\$3,568,940	\$3,568,940	\$0
Intergovernmental	7,680,440	7,700,624	20,184
Interest	143,000	208,164	65,164
Tuition and Fees	71,990	83,093	11,103
Extracurricular Activities			
Rent	1,000	820	(180)
Miscellaneous	107,189	197,029	89,840
<b>Total Revenues</b>	<b>11,572,559</b>	<b>11,758,670</b>	<b>186,111</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	6,345,949	6,274,130	71,819
Special	716,142	705,605	10,537
Vocational	232,307	228,408	3,899
Other	70,323	69,502	821
Support Services:			
Pupils	313,913	298,046	15,867
Instructional Staff	531,571	489,708	41,863
Board of Education	43,026	32,519	10,507
Administration	1,401,874	1,323,831	78,043
Fiscal	244,730	230,272	14,458
Operation and Maintenance of Plant	1,062,591	1,022,027	40,564
Pupil Transportation	997,979	989,131	8,848
Central	47,630	38,285	9,345
Extracurricular Activities	192,141	188,799	3,342
Non-Instructional Services			
Capital Outlay	51,387	51,387	0
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<b>12,251,563</b>	<b>11,941,650</b>	<b>309,913</b>
Excess of Revenues Under Expenditures	(679,004)	(182,980)	496,024
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	406	426	20
Refund of Prior Year Expenditures	0	283	283
Operating Transfers In			
Proceeds from Sale of Bonds			
Proceeds from Sale of Notes			
Other Financing Uses	(345)	0	345
Operating Transfers Out	(336,790)	(208,000)	128,790
<b>Total Other Financing Sources (Uses)</b>	<b>(336,729)</b>	<b>(207,291)</b>	<b>129,438</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,015,733)	(390,271)	625,462
Fund Balances at Beginning of Year	1,122,932	1,122,932	0
Prior Year Encumbrances Appropriated	321,578	321,578	0
<b>Fund Balances at End of Year</b>	<b>\$428,777</b>	<b>\$1,054,239</b>	<b>\$625,462</b>

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

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$40,013	\$40,402	\$389	\$291,151	\$291,151	\$0
708,274	729,291	21,017	27,345	27,354	9
500	561	61	2,260	2,489	229
316,925	317,004	79			
0	4,216	4,216			
<u>1,065,712</u>	<u>1,091,474</u>	<u>25,762</u>	<u>320,756</u>	<u>320,994</u>	<u>238</u>
334,456	314,396	20,060			
449,324	406,741	42,583			
18,553	18,526	27			
54,656	47,762	6,894			
4,435	4,199	236			
2,000	893	1,107	7,000	5,717	1,283
36,861	0	36,861			
1,463	1,463	0			
8,326	8,253	73			
368,416	326,759	41,657			
4,272	4,272	0			
			7,470,826	7,470,826	0
			185,438	183,589	1,849
<u>1,282,762</u>	<u>1,133,264</u>	<u>149,498</u>	<u>7,663,264</u>	<u>7,660,132</u>	<u>3,132</u>
<u>(217,050)</u>	<u>(41,790)</u>	<u>175,260</u>	<u>(7,342,508)</u>	<u>(7,339,138)</u>	<u>3,370</u>
25	25	0			
			7,443,000	7,443,000	0
<u>25</u>	<u>25</u>	<u>0</u>	<u>7,443,000</u>	<u>7,443,000</u>	<u>0</u>
(217,025)	(41,765)	175,260	100,492	103,862	3,370
166,607	166,607	0	0	0	0
60,388	60,388	0	0	0	0
<u>\$9,970</u>	<u>\$185,230</u>	<u>\$175,260</u>	<u>\$100,492</u>	<u>\$103,862</u>	<u>\$3,370</u>

(continued)

EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$407,328	\$437,543	\$30,215
Intergovernmental	162,690	588,744	426,054
Interest	0	158,410	158,410
Tuition and Fees			
Extracurricular Activities			
Rent			
Miscellaneous			
Total Revenues	570,018	1,184,697	614,679
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Extracurricular Activities			
Non-Instructional Services			
Capital Outlay	2,903,731	1,227,682	1,676,049
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	2,903,731	1,227,682	1,676,049
Excess of Revenues Under Expenditures	(2,333,713)	(42,985)	2,290,728
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Operating Transfers In	0	208,000	208,000
Proceeds from Sale of Bonds			
Proceeds from Sale of Notes	7,443,000	7,443,000	0
Other Financing Uses			
Operating Transfers Out			
Total Other Financing Sources (Uses)	7,443,000	7,651,000	208,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	5,109,287	7,608,015	2,498,728
Fund Balances at Beginning of Year	1,754,320	1,754,320	0
Prior Year Encumbrances Appropriated	207,243	207,243	0
<b>Fund Balances at End of Year</b>	<b>\$7,070,850</b>	<b>\$9,569,578</b>	<b>\$2,498,728</b>

*The notes to the financial statements are an integral part of this statement.*



**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$4,307,432	\$4,338,036	\$30,604
8,578,749	9,046,013	467,264
145,760	369,624	223,864
71,990	83,093	11,103
316,925	317,004	79
1,000	820	(180)
107,189	201,245	94,056
<u>13,529,045</u>	<u>14,355,835</u>	<u>826,790</u>
6,680,405	6,588,526	91,879
1,165,466	1,112,346	53,120
232,307	228,408	3,899
70,323	69,502	821
332,466	316,572	15,894
586,227	537,470	48,757
43,026	32,519	10,507
1,406,309	1,328,030	78,279
253,730	236,882	16,848
1,099,452	1,022,027	77,425
999,442	990,594	8,848
55,956	46,538	9,418
560,557	515,558	44,999
4,272	4,272	0
2,955,118	1,279,069	1,676,049
7,470,826	7,470,826	0
185,438	183,589	1,849
<u>24,101,320</u>	<u>21,962,728</u>	<u>2,138,592</u>
<u>(10,572,275)</u>	<u>(7,606,893)</u>	<u>2,965,382</u>
406	426	20
25	308	283
0	208,000	208,000
7,443,000	7,443,000	0
7,443,000	7,443,000	0
(345)	0	345
<u>(336,790)</u>	<u>(208,000)</u>	<u>128,790</u>
<u>14,549,296</u>	<u>14,886,734</u>	<u>337,438</u>
3,977,021	7,279,841	3,302,820
3,043,859	3,043,859	0
589,209	589,209	0
<u><b>\$7,610,089</b></u>	<u><b>\$10,912,909</b></u>	<u><b>\$3,302,820</b></u>

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MUSKINGUM COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating Revenues:</b>			
Sales	\$487,111	\$0	\$487,111
Charges for Services		1,045,799	1,045,799
Total Operating Revenues	<u>487,111</u>	<u>1,045,799</u>	<u>1,532,910</u>
<b>Operating Expenses:</b>			
Salaries	239,980		239,980
Fringe Benefits	74,506		74,506
Purchased Services	18,904	177,678	196,582
Materials and Supplies	24,559		24,559
Cost of Sales	312,503		312,503
Depreciation	10,006		10,006
Claims		732,721	732,721
Total Operating Expenses	<u>680,458</u>	<u>910,399</u>	<u>1,590,857</u>
Operating Income (Loss)	<u>(193,347)</u>	<u>135,400</u>	<u>(57,947)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	49,623		49,623
Interest Income	5,276		5,276
Federal and State Subsidies	139,706		139,706
Total Non-Operating Revenues	<u>194,605</u>	<u>0</u>	<u>194,605</u>
Net Income	1,258	135,400	136,658
Retained Earnings (Deficit) at Beginning of Year	<u>(36,109)</u>	<u>463,532</u>	<u>427,423</u>
Retained Earnings (Deficit) at End of Year	<u>(34,851)</u>	<u>598,932</u>	<u>564,081</u>
Contributed Capital at Beginning of Year	180,477		180,477
Contributions During the Year from Other Funds	<u>39,270</u>		<u>39,270</u>
Contributed Capital at End of Year	<u>219,747</u>	<u>0</u>	<u>219,747</u>
<b>Total Fund Equity at End of Year</b>	<b><u>\$184,896</u></b>	<b><u>\$598,932</u></b>	<b><u>\$783,828</u></b>

*The notes to the financial statements are an integral part of this statement.*

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Enterprise Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$486,760	\$487,401	\$641
Charges for Services			
Interest	4,877	5,276	399
Operating Grants	139,706	139,706	0
 Total Revenues	 631,343	 632,383	 1,040
<b>Expenses:</b>			
Salaries	246,844	245,693	1,151
Fringe Benefits	74,750	74,583	167
Purchased Services	27,401	20,820	6,581
Materials and Supplies	396,910	285,257	111,653
Claims			
Capital Outlay	14,000	3,089	10,911
 Total Expenses	 759,905	 629,442	 130,463
 Excess of Revenues Over (Under) Expenses	 (128,562)	 2,941	 131,503
 Fund Equity at Beginning of Year	 122,391	 122,391	 0
 Prior Year Encumbrances Appropriated	 6,171	 6,171	 0
 <b>Fund Equity at End of Year</b>	 <b>\$0</b>	 <b>\$131,503</b>	 <b>\$131,503</b>

*The notes to the financial statements are an integral part of this statement.*

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$486,760	\$487,401	\$641
1,009,753	1,045,799	36,046	1,009,753	1,045,799	36,046
			4,877	5,276	399
			139,706	139,706	0
<u>1,009,753</u>	<u>1,045,799</u>	<u>36,046</u>	<u>1,641,096</u>	<u>1,678,182</u>	<u>37,086</u>
			246,844	245,693	1,151
			74,750	74,583	167
840,819	177,678	663,141	868,220	198,498	669,722
			396,910	285,257	111,653
795,239	795,239	0	795,239	795,239	0
			14,000	3,089	10,911
<u>1,636,058</u>	<u>972,917</u>	<u>663,141</u>	<u>2,395,963</u>	<u>1,602,359</u>	<u>793,604</u>
(626,305)	72,882	699,187	(754,867)	75,823	830,690
626,305	626,305	0	748,696	748,696	0
			6,171	6,171	0
<u><u>\$0</u></u>	<u><u>\$699,187</u></u>	<u><u>\$699,187</u></u>	<u><u>\$0</u></u>	<u><u>\$830,690</u></u>	<u><u>\$830,690</u></u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Sales	\$487,401	\$0	\$487,401
Cash Received from Quasi-External Transactions with Other Funds		1,045,799	1,045,799
Cash Payments to Suppliers for Goods and Services	(302,868)	(177,678)	(480,546)
Cash Payments for Employee Services	(243,556)		(243,556)
Cash Payments for Employee Benefits	(74,545)		(74,545)
Cash Payments for Claims		(795,239)	(795,239)
Net Cash Provided by (Used) for Operating Activities	<u>(133,568)</u>	<u>72,882</u>	<u>(60,686)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Received	139,706		139,706
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(3,089)		(3,089)
<b>Cash Flows from Investing Activities:</b>			
Interest Income	<u>5,276</u>		<u>5,276</u>
Net Increase in Cash and Cash Equivalents	8,325	72,882	81,207
Cash and Cash Equivalents at Beginning of Year	<u>128,562</u>	<u>626,305</u>	<u>754,867</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$136,887</u></b>	<b><u>\$699,187</u></b>	<b><u>\$836,074</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	<u>(\$193,347)</u>	<u>\$94,434</u>	<u>(\$98,913)</u>
Depreciation	10,006		10,006
Donated Commodities Used During Year	49,623		49,623
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	65		65
Decrease in Due from Other Funds	225		225
Increase in Prepaid Items	(598)		(598)
Decrease in Inventory Held for Resale	2,761		2,761
Decrease in Materials and Supplies Inventory	144		144
Increase in Accounts Payable	477		477
Decrease in Accrued Wages and Benefits Payable	(8,595)		(8,595)
Decrease in Compensated Absences Payable	(829)		(829)
Increase in Intergovernmental Payable	2,966		2,966
Increase in Special Termination Benefits Payable	3,534		3,534
Decrease in Claims Payable		(21,552)	(21,552)
Total Adjustments	<u>59,779</u>	<u>(21,552)</u>	<u>38,227</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b><u>(\$133,568)</u></b>	<b><u>\$72,882</u></b>	<b><u>(\$60,686)</u></b>

Non-Cash Transactions:

During fiscal year 2001, the Food Service Enterprise Fund had fixed asset additions in the amount of \$39,270 that were purchased from the Permanent Improvement Capital Projects Fund, and were recorded as contributed capital.

*The notes to the financial statements are an integral part of this statement.*

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1958 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 192 square miles. It is located in Muskingum and Guernsey Counties, and includes all of the Village of New Concord, Ohio. The School District is staffed by 89 classified employees and 151 certificated full-time teaching personnel who provide services to 2,191 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and 1 garage.

*Reporting Entity:*

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

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

The School District is associated with two organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Tri-Rivers Educational Computer Association (TRECA), the Mid-East Ohio Vocational School District, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

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

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

*Governmental Fund Types:*

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

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

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

*Debt Service Funds* - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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



**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

*Fiduciary Fund Types:*

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

*Account Groups:*

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Data**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. In addition, the Athletic and Music Special Revenue Fund has a segregated checking account whose activity is not included as part of the School District's annual budget.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

*Tax Budget:*

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

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

*Estimated Resources:*

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

*Appropriations:*

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

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

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

During fiscal year 2001, investments were limited to money market mutual funds which are reported at fair value and nonparticipating investment contracts such as nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001, amounted to \$208,464, which includes \$158,270 from other School District funds. The Classroom Facilities Maintenance Special Revenue Fund and Permanent Improvement Capital Projects Fund also received interest during fiscal year 2001 in the amounts of \$561, and \$305,027, respectively.

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

**E. Inventory**

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**G. Fixed Assets and Depreciation**

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

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

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

Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten to twenty years.

**H. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. During fiscal year 2001, there are no transactions that meet the criteria for classification as interfund assets and liabilities.

**I. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

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

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

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

**K. Interfund Transactions**

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

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

**L. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

**M. Fund Balance Reserves**

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**N. Contributed Capital**

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

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

**O. Estimates**

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

**P. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." In addition, pursuant to Auditor of State Bulletin No. 2000-014, the E-Rate Special Revenue Fund is combined with the General Fund for fiscal year 2001. These changes had the following effect on fund balances at June 30, 2000:

	General Fund	Special Revenue
Fund Balance at June 30, 2000	\$1,232,825	\$151,138
Implementation of GASB 33	1,197	25,909
Fund Reclassification	10,480	(10,480)
Adjusted Fund Balance at June 30, 2000	\$1,244,502	\$166,567

Also, the beginning fixed asset balance in the general fixed assets account group has been restated to \$13,742,002 due to corrections in reporting fixed assets from previous fiscal years. The majority of the \$1,012,789 decrease is a result of an overstatement of building valuations as previously reported. In addition, there were deleted assets from previous years that were not discovered by the School District until fiscal year 2001.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**NOTE 4 - ACCOUNTABILITY**

The Food Service Enterprise Fund had deficit retained earnings of \$58,594 due to the recognition of contributed capital and the recognition of payables in accordance with generally accepted accounting principles. The School District is analyzing food service operations to determine appropriate steps to alleviate the deficit.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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



**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$414,925	\$41,295	\$302,471	\$8,054,478
Net Adjustment for Revenue Accruals	(305,129)	(32,636)	12,806	(227,525)
Unreported Cash	0	0	0	(103,285)
Excess Amount for Non-Budgeted Activity	0	(1,986)	0	0
Allocation of Revenue for Debt Payments	27,826	0	(27,826)	0
Net Adjustment for Expenditure Accruals	14,989	(12,217)	0	(149,517)
Prepaid Items	(7,619)	(1,910)	0	0
Net Adjustment for Reclassification of Debt Service Fund	4,750	0	(183,589)	178,839
Interest and Fiscal Charges	323	0	0	0
Encumbrances	<u>(540,336)</u>	<u>(34,311)</u>	<u>0</u>	<u>(144,975)</u>
Budget Basis	<u>(\$390,271)</u>	<u>(\$41,765)</u>	<u>\$103,862</u>	<u>\$7,608,015</u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

Net Income/Excess of Revenues Over Expenses  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$1,258	\$94,434
Net Adjustment for Revenue Accruals	290	0
Net Adjustment for Expense Accruals	314	(21,552)
Capital Outlay	(3,089)	0
Prepaid Items	(598)	0
Materials and Supplies Inventory	144	0
Depreciation Expense	10,006	0
Encumbrances	(5,384)	0
Budget Basis	\$2,941	\$72,882

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

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

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

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

*Unrecorded Cash:* At fiscal year end, the School District had \$103,285 in unrecorded cash which is included on the balance sheet of the School District as part of "Investments".

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$8,904,990 and the bank balance was \$9,139,595. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$8,939,595 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

*Investments:* The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments at June 30, 2001, were in money market mutual funds which are not classified as to risk since the investment is not evidenced by securities that exist in physical or book entry form. The fair value is \$3,712,160 at June 30, 2001.

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$5,366,135	\$7,251,015
Certificate of Deposit	7,251,015	(7,251,015)
Investments in Money Market Mutual Funds	(3,712,160)	3,712,160
GASB Statement 3	\$8,904,990	\$3,712,160

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$1,470,652 in the General Fund, \$31,032 in the Classroom Facilities Special Revenue Fund, \$198,609 in the Debt Service Fund, and \$167,735 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$112,687,520	79.83%	\$141,979,000	81.84%
Public Utility	17,092,460	12.11%	17,996,550	10.37%
Tangible Personal Property	11,382,510	8.06%	13,501,815	7.79%
Total Assessed Value	\$141,162,490	100%	\$173,477,365	100%
Tax Rate per \$1,000 of Assessed Valuation	\$36.81		\$40.01	

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (tuition, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
CAFS Reimbursement	\$1,599
Telecom E-Rate Reimbursement	6,906
Total General Fund	8,505
Special Revenue Funds:	
Eisenhower Grant	1,052
Title VI-B Grant	11,594
Title I Grant	52,451
Classroom Reduction Grant	29,085
Total Special Revenue Funds	94,182
Capital Projects Fund:	
Ohio School Facilities	20,794,357
Total Intergovernmental Receivables	\$20,897,044

On December 1, 2000, the School District was awarded \$21,294,357 for renovations and additions to various school buildings within the School District under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State will initially pay for a portion of the estimated project costs. As part of the process, the School District maintains a fund in which a one-half mill levy is receipted into it for facilities maintenance. In addition, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years for a twenty-three year period which began on December 1, 2001. Legislation effective September 15, 2000, eliminated any possibility that money received by the School District under this program will need to be repaid. As of the end of fiscal year 2001, the School District had received \$500,000 of the amount awarded under this program. The remaining amount of \$20,794,357 is recorded as a receivable and a deferred revenue on the balance sheet.

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$346,573
Less: Accumulated depreciation	(236,567)
Net Fixed Assets	\$110,006

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

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

	Restated Balance at <u>06/30/00</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/01</u>
Land	\$165,497	\$0	\$0	\$165,497
Buildings	9,426,924	971,577	0	10,398,501
Furniture, Fixtures and Equipment	2,287,753	151,498	28,349	2,410,902
Vehicles	1,523,674	118,072	0	1,641,746
Construction in Progress	<u>338,154</u>	<u>633,423</u>	<u>971,577</u>	<u>0</u>
Total	<u>\$13,742,002</u>	<u>\$1,874,570</u>	<u>\$999,926</u>	<u>\$14,616,646</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District purchased the following coverage:

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

Building and Contents - replacement cost (\$1,000 deductible)	\$30,415,359 limit
Inland Marine (\$250 deductible)	\$500,000 limit
Boiler and Machinery (\$1,000 deductible)	\$ 3,000,000 limit
Data Processing Equipment	\$50,000 per building

Fleet Insurance - Nationwide Insurance Company:

Automobile Liability - Bodily Injury/Property Damage	\$2,000,000 each accident
Uninsured Motorists	\$2,000,000 each accident
Comprehensive	Actual cash value - No deductible
Auto Medical	\$5,000 each accident
Collision	Actual cash value - \$250 deductible

Liability Insurance	\$1,000,000 each occurrence \$5,000,000 aggregate
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Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last fiscal year.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Central Benefits serves as claims servicer for medical/surgical coverage and Core Source serves as claims servicer for dental coverage. The claims liability of \$100,255 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the increased claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning Of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2000	\$188,257	\$712,064	\$737,548	\$162,773
2001	\$162,773	\$732,721	\$795,239	\$100,255

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$65,280, \$78,208 and \$102,158 respectively; 41.47 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$38,211 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.



**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$629,166, \$380,400 and \$358,980, respectively; 81.67 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$115,356 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**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, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$298,026 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$181,291.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 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. SERS has approximately 50,000 participants receiving health care benefits.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life Insurance**

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

**C. Special Termination Benefit Payable**

Employees who retire subsequent to June 30, 1998, are eligible for a special termination benefit. For every year of service credit with East Muskingum Local School District, up through ten years, employees are given one percent of their annual salary earned in the contract year of employment completed upon retirement. For every year of service credit with East Muskingum Local School District, between eleven and twenty years, employees are given one and one quarter percent of their annual salary earned in the contract year of employment completed upon retirement. For every year of service credit with East Muskingum Local School District, over twenty-one years, up through the final year of employment, employees are given one and one half percent of their annual salary earned in the contract year of employment completed upon retirement. Retiree's must notify the District by April 1 of each year as to their intent to retire and to apply for the special termination benefit. Payment of the special termination benefits is limited to five employees in each year based upon seniority. The benefit is paid in one lump sum at the time of retirement from the fund and function that pays the employees' salaries. The special termination benefit payable as of June 30, 2001, is reflected on the combined balance sheet in the General Fund and Food Service Enterprise Fund in the amounts of \$44,547 and \$6,247, respectively.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**NOTE 14 - FUND OBLIGATION**

During fiscal year 2001, the School District had an energy conservation note outstanding which is a liability of the General Fund. Property tax revenues are being utilized for the payment of this obligation. In addition, the School District issued and retired bond anticipation notes during 2001. These notes were issued for investment purposes and initial construction costs associated with the School Facilities Assistance Program. The following table summarizes these note activities during fiscal year 2001:

	<u>Outstanding 06/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/01</u>
Energy Conservation Note - 4.95%	\$109,870	\$0	\$27,826	\$82,044
2001 School Facilities Construction and Improvement Bond Anticipation Notes - 5.00%	<u>0</u>	<u>7,443,000</u>	<u>7,443,000</u>	<u>0</u>
Total Fund Obligations	<u>\$109,870</u>	<u>\$7,443,000</u>	<u>\$7,470,826</u>	<u>\$82,044</u>

Principal and interest requirements to retire the Energy Conservation Note outstanding at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$27,826	\$3,372	\$31,198
2003	27,826	1,995	29,821
2004	<u>26,392</u>	<u>654</u>	<u>27,046</u>
Total	<u>\$82,044</u>	<u>\$6,021</u>	<u>\$88,065</u>

**NOTE 15 - LONG-TERM OBLIGATIONS**

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

	<u>Outstanding 06/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/01</u>
Compensated Absences	\$859,182	\$136,700	\$210,837	\$785,045
2001 School Facilities Current Interest Serial Bonds - 3.20% - 4.85%	0	4,380,000	0	4,380,000
2001 School Facilities Current Interest Term Bonds - 5%	0	2,850,000	0	2,850,000
2001 School Facilities Capital Appreciation Bonds	0	215,888	0	215,888
Pension Obligation	<u>73,061</u>	<u>98,219</u>	<u>73,061</u>	<u>98,219</u>
Total Long-Term Obligations	<u>\$932,243</u>	<u>\$7,680,807</u>	<u>\$283,898</u>	<u>\$8,329,152</u>

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

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

On April 19, 2001, the School District issued \$7,443,000 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. The liability for the bonds is recorded in the General Long-Term Obligations Account Group with annual principal and interest requirements retired from the debt service fund. In addition, the School District was approved for a grant from the State of Ohio Classroom Facilities Assistance Program in the amount of \$21,294,357. As of June 30, 2001, the School District received \$500,000 for the State's share of the Program. The School District is currently in the preliminary stages of the classroom facilities projects.

The bond issue consists of serial, term, and capital appreciation bonds. The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2018	\$420,000
2019	\$440,000

The remaining principal amount of such Current Interest Bonds (\$460,000) will mature at stated maturity on December 1, 2020.

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2021	\$485,000
2022	\$510,000

The remaining principal amount of such Current Interest Bonds (\$535,000) will mature at stated maturity on December 1, 2023.

The capital appreciation bonds mature December 1, 2009 and 2010. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$610,000. For fiscal year 2001, \$2,888 was accreted for total bond liability of \$215,888.

Principal, including \$394,112 accretion for the capital appreciation bonds, and interest to retire general obligation debt outstanding at June 30, 2001 are as follows:

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

Year	Principal	Interest	Total
2002	\$95,000	\$364,113	\$459,113
2003	230,000	320,482	550,482
2004	235,000	312,460	547,460
2005	255,000	303,758	558,758
2006	265,000	294,265	559,265
2007-2011	1,455,000	1,331,573	2,786,573
2012-2016	1,675,000	1,099,398	2,774,398
2017-2021	2,100,000	653,625	2,753,625
2022-2024	1,530,000	117,250	1,647,250
Total	<u>\$7,840,000</u>	<u>\$4,796,924</u>	<u>\$12,636,924</u>

The School District's overall legal debt margin was \$8,273,825, with an unvoted debt margin of 173,477 at June 30, 2001.

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

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

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$467,369	\$19,742	\$487,111
Depreciation Expense	10,006	0	10,006
Operating Income (Loss)	(195,316)	1,969	(193,347)
Donated Commodities	49,623	0	49,623
Operating Grants	139,706	0	139,706
Investment Income	5,276	0	5,276
Net Income (Loss)	(711)	1,969	1,258
Current Capital Contributions	39,270	0	39,270
Net Working Capital	96,553	23,743	120,296
Total Assets	231,235	24,206	255,441
Long-Term Liabilities	42,250	0	42,250

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

Total Equity	161,153	23,743	184,896
Encumbrances at June 30, 2001	4,205	1,179	5,384

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

**NOTE 18 - INSURANCE PURCHASING POOL**

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

**NOTE 19 - SET-ASIDE CALCULATIONS**

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

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2000	\$0	\$0	\$146,146
Carry over from prior year	(46,741)	(300,000)	0
Current year set-aside requirement	257,283	257,283	0
Current year offsets	0	(486,428)	0
Legislative change	0	0	(82,861)
Qualifying disbursements	(252,132)	(73,407)	0
<b>Total</b>	<b>(\$41,590)</b>	<b>(\$602,552)</b>	<b>\$63,285</b>
Set-aside balance carried forward to future fiscal years	(41,590)	(602,552)	63,285
Set-aside reserve balance as of June 30, 2001	\$0	\$0	\$63,285

The School District has qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. This extra amount may be used to reduce the textbook set-aside requirement in future fiscal years. Due to a legislative change, the School District's required amount for the budget stabilization set-aside consists of the Bureau of Workers' Compensation rebate in the amount of \$63,285. The excess monies from the transfer from the General Fund to the Permanent Improvement Fund may be used to reduce the capital set-aside in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$63,285.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

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

**NOTE 21 - 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 a 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.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 13, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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



EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i>	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$50,096	\$0	\$49,623
School Breakfast Program	048835-05-PU-00	10.553	1,484	0	1,484	0
	048835-05-PU-01	10.553	<u>9,876</u>	<u>0</u>	<u>9,876</u>	<u>0</u>
Total School Breakfast Program			11,360	0	11,360	0
National School Lunch Program	048835-LL-P1-00	10.555	10,433	0	10,433	0
	048835-LL-P4-00	10.555	5,279	0	5,279	0
	048835-LL-P1-01	10.555	72,998	0	72,998	0
	048835-LL-P4-01	10.555	<u>33,106</u>	<u>0</u>	<u>33,106</u>	<u>0</u>
Total National School Lunch Program			<u>121,816</u>	<u>0</u>	<u>121,816</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			133,176	50,096	133,176	49,623
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies						
	048835-C1-S1-00	84.010	41,968	0	78,246	0
	048835-C1-S1-00C	84.010	38,906	0	38,906	0
	048835-C1-S1-01	84.010	<u>292,208</u>	<u>0</u>	<u>252,317</u>	<u>0</u>
Total Title I			373,082	0	369,469	0
Special Education Grants to States (Title VI-B)						
	048835-6B-SF-99P	84.027	9,272	0	24,218	0
	048835-6B-SF-00P	84.027	<u>89,585</u>	<u>0</u>	<u>79,135</u>	<u>0</u>
Total Special Education Grants to States			98,857	0	103,353	0
Title VI, Drug Free Grant	048835-DR-S1-01	84.186	9,417	0	9,405	0
Christa McAuliffe Grant	048835-CJ-S1-01	84.215	16,774	0	15,793	0
Goals 2000 - State and Local Education Systematic Improvement Grants						
	048835-G2-S2-99	84.276	5,675	0	21,263	0
	048835-G2-SP-99	84.276	0	0	1,383	0
	048835-G2-S3-99	84.276	<u>0</u>	<u>0</u>	<u>562</u>	<u>0</u>
Total Goals 2000			5,675	0	23,208	0
Eisenhower Professional Development State Grants						
	048835-MS-S1-99	84.281	\$0	\$0	\$373	\$0
	048835-MS-S1-00	84.281	0	0	1,324	0
	048835-MS-S1-01	84.281	<u>9,472</u>	<u>0</u>	<u>4,366</u>	<u>0</u>
Total Eisenhower Professional Development Grants			9,472	0	6,063	0
Innovative Education Program Strategies (Title VI)						
	048835-C2-S1-00	84.298	3,561	0	5,301	0
	048835-C2-S1-00	84.298	<u>11,243</u>	<u>0</u>	<u>9,184</u>	<u>0</u>
Total Innovative Education Program Strategies			14,804	0	14,485	0
Class Size Reduction (Title VI-R)						
	048835-CR-S1-00	84.340	18,397	0	22,494	0
	048835-CR-S1-01	84.340	<u>27,299</u>	<u>0</u>	<u>21,852</u>	<u>0</u>
Total Class Size Reduction			45,696	0	44,346	0
Total United States Department of Education			573,777	0	586,122	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program (Medicaid, Title XIX)						
	N/A	93.778	<u>17,269</u>	<u>0</u>	<u>17,269</u>	<u>0</u>
Total United States Department of Health and Human Services			<u>17,269</u>	<u>0</u>	<u>17,269</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<u>\$724,222</u>	<u>\$50,096</u>	<u>\$736,567</u>	<u>\$49,623</u>

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

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had \$3,156 in food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of East Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 14, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 14, 2001.

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

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

**Jim Petro**  
Auditor of State

December 14, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

**Compliance**

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

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

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

**Internal Control Over Compliance**

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

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

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

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

**Jim Petro**  
Auditor of State

December 14, 2001

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2002**