

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***

FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

SUSAN WARD, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Johnstown-Monroe Local School District
Johnstown, OH 43031-1297

We have reviewed the Independent Auditor's Report of the Johnstown-Monroe Local School District, Licking County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

November 21, 2002

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

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Johnstown-Monroe Local School District, Licking County, (the "District") as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Johnstown-Monroe Local School District, Licking County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
October 11, 2002

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

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 939,543	\$ 66,027	\$ 246,235	\$ 35,296
Receivables (net of allowances of uncollectibles):				
Taxes-current and delinquent	3,462,758	-	25,993	-
Accounts	27,705	16	-	-
Accrued interest	1,204	-	-	-
Due from other governments	3,328	7,900	-	-
Materials and supplies inventory	8,202	-	-	-
Prepayments	18,496	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents.	12,388	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits.	<u>\$ 4,473,624</u>	<u>\$ 73,943</u>	<u>\$ 272,228</u>	<u>\$ 35,296</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable.	\$ 31,430	\$ 10,838	\$ -	\$ -
Accrued wages and benefits	629,376	-	-	-
Compensated absences payable.	148,202	-	-	-
Pension obligation payable	111,442	2,788	-	-
Deferred revenue.	3,141,505	1,050	23,868	-
Due to other governments	20,480	1,638	13	-
Due to students.	-	-	-	-
Early retirement incentive payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Energy conservation notes payable.	-	-	-	-
Obligations under capital lease.	-	-	-	-
Total liabilities.	<u>4,082,435</u>	<u>16,314</u>	<u>23,881</u>	<u>-</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved.	-	-	-	-
Fund balances:				
Reserved for encumbrances.	169,795	23,462	-	1,200
Reserved for materials and supplies inventory	8,202	-	-	-
Reserved for prepayments.	18,496	-	-	-
Reserved for debt service	-	-	246,598	-
Reserved for tax revenue unavailable for appropriation.	244,257	-	1,749	-
Reserved for BWC refunds	12,388	-	-	-
Designated for budget stabilization	82,820	-	-	-
Unreserved:				
Unreserved-undesignated (deficit).	(144,769)	34,167	-	34,096
Total equity and other credits	<u>391,189</u>	<u>57,629</u>	<u>248,347</u>	<u>35,296</u>
Total liabilities, equity and other credits.	<u>\$ 4,473,624</u>	<u>\$ 73,943</u>	<u>\$ 272,228</u>	<u>\$ 35,296</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 38,485	\$ 87,197	\$ -	\$ -	\$ 1,412,783
-	-	-	-	3,488,751
-	-	-	-	27,721
-	-	-	-	1,204
-	-	-	-	11,228
6,388	-	-	-	14,590
-	-	-	-	18,496
46,745	-	6,739,424	-	6,786,169
-	-	-	-	12,388
-	-	-	248,347	248,347
-	-	-	1,323,054	1,323,054
<u>\$ 91,618</u>	<u>\$ 87,197</u>	<u>\$ 6,739,424</u>	<u>\$ 1,571,401</u>	<u>\$ 13,344,731</u>
\$ -	\$ -	\$ -	\$ -	\$ 42,268
12,752	-	-	-	642,128
11,293	-	-	621,748	781,243
11,357	-	-	31,698	157,285
5,193	-	-	-	3,171,616
315	-	-	-	22,446
-	41,752	-	-	41,752
-	-	-	25,000	25,000
-	-	-	300,000	300,000
-	-	-	362,094	362,094
-	-	-	230,861	230,861
<u>40,910</u>	<u>41,752</u>	<u>-</u>	<u>1,571,401</u>	<u>5,776,693</u>
-	-	6,739,424	-	6,739,424
50,708	-	-	-	50,708
-	8,415	-	-	202,872
-	-	-	-	8,202
-	-	-	-	18,496
-	-	-	-	246,598
-	-	-	-	246,006
-	-	-	-	12,388
-	-	-	-	82,820
-	37,030	-	-	(39,476)
<u>50,708</u>	<u>45,445</u>	<u>6,739,424</u>	<u>-</u>	<u>7,568,038</u>
<u>\$ 91,618</u>	<u>\$ 87,197</u>	<u>\$ 6,739,424</u>	<u>\$ 1,571,401</u>	<u>\$ 13,344,731</u>

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 3,314,696	\$ -	\$ 31,913	\$ -	\$ -	\$ 3,346,609
Tuition	11,214	-	-	-	-	11,214
Earnings on investments	60,123	-	-	-	6	60,129
Extracurricular activities	-	170,835	-	-	-	170,835
Contributions and donations	-	3,477	-	-	50,665	54,142
Other local revenues	87,818	9,624	-	-	-	97,442
Other revenue	-	5,461	-	-	-	5,461
Intergovernmental - State	4,738,969	88,435	4,551	29,697	-	4,861,652
Intergovernmental - Federal	-	260,303	-	-	-	260,303
Total revenues	8,212,820	538,135	36,464	29,697	50,671	8,867,787
Expenditures:						
Current:						
Instruction:						
Regular	4,171,640	169,679	-	32,914	-	4,374,233
Special	496,964	84,163	-	-	-	581,127
Vocational	171,391	27,445	-	-	-	198,836
Support services:						
Pupil	492,000	14,862	-	-	-	506,862
Instructional staff	311,372	29,944	-	-	-	341,316
Board of Education	31,004	-	-	-	1,414	32,418
Administration	658,561	-	-	-	52,226	710,787
Fiscal	240,762	-	1,757	-	-	242,519
Operations and maintenance	776,230	-	-	-	-	776,230
Pupil transportation	503,418	-	-	-	-	503,418
Central	53,335	12,716	-	4,625	-	70,676
Community services	-	1,350	-	-	-	1,350
Extracurricular activities	201,968	199,452	-	-	9,775	411,195
Facilities acquisition and construction	103,136	-	-	-	-	103,136
Capital outlay	194,202	-	-	-	-	194,202
Debt service:						
Principal retirement	29,611	-	99,334	-	-	128,945
Interest and fiscal charges	6,367	-	49,872	-	-	56,239
Total expenditures	8,441,961	539,611	150,963	37,539	63,415	9,233,489
Deficiency of revenues under expenditures	(229,141)	(1,476)	(114,499)	(7,842)	(12,744)	(365,702)
Other financing sources (uses):						
Operating transfers in	-	-	42,974	-	-	42,974
Operating transfers out	(42,974)	-	-	-	-	(42,974)
Proceeds from capital lease transaction	194,202	-	-	-	-	194,202
Total other financing sources (uses)	151,228	-	42,974	-	-	194,202
Deficiency of revenues and other financing sources under expenditures and other financing (uses)	(77,913)	(1,476)	(71,525)	(7,842)	(12,744)	(171,500)
Fund balances, July 1	470,873	59,105	319,872	43,138	58,189	951,177
Decrease in reserve for inventory	(1,771)	-	-	-	-	(1,771)
Fund balances, June 30	\$ 391,189	\$ 57,629	\$ 248,347	\$ 35,296	\$ 45,445	\$ 777,906

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

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 3,368,488	\$ 3,368,488	\$ -	\$ -	\$ -	\$ -
Tuition	11,214	11,214	-	-	-	-
Earnings on investments	60,601	60,601	-	-	-	-
Extracurricular activities	-	-	-	170,818	170,818	-
Contributions and donations	-	-	-	3,477	3,477	-
Other local revenues	54,531	54,531	-	8,487	8,487	-
Other revenue	-	-	-	5,461	5,461	-
Intergovernmental - State	4,740,514	4,740,514	-	82,486	82,486	-
Intergovernmental - Federal	-	-	-	259,403	259,403	-
Total revenues	<u>8,235,348</u>	<u>8,235,348</u>	<u>-</u>	<u>530,132</u>	<u>530,132</u>	<u>-</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,130,606	4,130,606	-	171,670	171,670	-
Special	496,131	496,131	-	89,056	89,056	-
Vocational	168,808	168,808	-	35,963	35,963	-
Support services:						
Pupil	493,891	493,891	-	14,267	14,267	-
Instructional staff	328,245	328,245	-	29,826	29,826	-
Board of Education	35,015	35,015	-	-	-	-
Administration	690,332	690,332	-	-	-	-
Fiscal	242,916	242,916	-	-	-	-
Operations and maintenance	836,414	836,414	-	-	-	-
Pupil transportation	506,744	506,744	-	-	-	-
Central	53,335	53,335	-	12,932	12,932	-
Community services	-	-	-	1,350	1,350	-
Extracurricular activities	202,282	202,282	-	211,169	211,169	-
Facilities acquisition & construction	110,567	110,567	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>8,295,286</u>	<u>8,295,286</u>	<u>-</u>	<u>566,233</u>	<u>566,233</u>	<u>-</u>
Deficiency of revenues under expenditures	(59,938)	(59,938)	-	(36,101)	(36,101)	-
Other financing sources (uses):						
Operating transfers in	64,456	64,456	-	-	-	-
Operating transfers out	(107,430)	(107,430)	-	-	-	-
Proceeds from loss of assets	684	684	-	-	-	-
Refund of prior year expenditures	7,762	7,762	-	1,417	1,417	-
Total other financing sources (uses)	<u>(34,528)</u>	<u>(34,528)</u>	<u>-</u>	<u>1,417</u>	<u>1,417</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures and other financing (uses)	(94,466)	(94,466)	-	(34,684)	(34,684)	-
Fund balances, July 1	737,653	737,653	-	51,160	51,160	-
Prior year encumbrances appropriated	106,530	106,530	-	16,361	16,361	-
Fund balances, June 30	<u>\$ 749,717</u>	<u>\$ 749,717</u>	<u>\$ -</u>	<u>\$ 32,837</u>	<u>\$ 32,837</u>	<u>\$ -</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 34,554	\$ 34,554	\$ -	\$ -	\$ -	\$ -	\$ 3,403,042	\$ 3,403,042	\$ -
-	-	-	-	-	-	11,214	11,214	-
-	-	-	-	-	-	60,601	60,601	-
-	-	-	-	-	-	170,818	170,818	-
-	-	-	-	-	-	3,477	3,477	-
-	-	-	-	-	-	63,018	63,018	-
-	-	-	-	-	-	5,461	5,461	-
4,551	4,551	-	29,697	29,697	-	4,857,248	4,857,248	-
-	-	-	-	-	-	259,403	259,403	-
<u>39,105</u>	<u>39,105</u>	<u>-</u>	<u>29,697</u>	<u>29,697</u>	<u>-</u>	<u>8,834,282</u>	<u>8,834,282</u>	<u>-</u>
-	-	-	32,914	32,914	-	4,335,190	4,335,190	-
-	-	-	-	-	-	585,187	585,187	-
-	-	-	-	-	-	204,771	204,771	-
-	-	-	-	-	-	508,158	508,158	-
-	-	-	-	-	-	358,071	358,071	-
-	-	-	-	-	-	35,015	35,015	-
-	-	-	-	-	-	690,332	690,332	-
1,757	1,757	-	-	-	-	244,673	244,673	-
-	-	-	-	-	-	836,414	836,414	-
-	-	-	-	-	-	506,744	506,744	-
-	-	-	5,825	5,825	-	72,092	72,092	-
-	-	-	-	-	-	1,350	1,350	-
-	-	-	-	-	-	413,451	413,451	-
-	-	-	-	-	-	110,567	110,567	-
99,334	99,334	-	-	-	-	99,334	99,334	-
49,859	49,859	-	-	-	-	49,859	49,859	-
<u>150,950</u>	<u>150,950</u>	<u>-</u>	<u>38,739</u>	<u>38,739</u>	<u>-</u>	<u>9,051,208</u>	<u>9,051,208</u>	<u>-</u>
(111,845)	(111,845)	-	(9,042)	(9,042)	-	(216,926)	(216,926)	-
42,974	42,974	-	-	-	-	107,430	107,430	-
-	-	-	-	-	-	(107,430)	(107,430)	-
-	-	-	-	-	-	684	684	-
-	-	-	-	-	-	9,179	9,179	-
<u>42,974</u>	<u>42,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,863</u>	<u>9,863</u>	<u>-</u>
(68,871)	(68,871)	-	(9,042)	(9,042)	-	(207,063)	(207,063)	-
315,106	315,106	-	43,138	43,138	-	1,147,057	1,147,057	-
-	-	-	-	-	-	122,891	122,891	-
<u>\$ 246,235</u>	<u>\$ 246,235</u>	<u>\$ -</u>	<u>\$ 34,096</u>	<u>\$ 34,096</u>	<u>\$ -</u>	<u>\$ 1,062,885</u>	<u>\$ 1,062,885</u>	<u>\$ -</u>

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

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$ 7,045
Sales and charges for services	193,358
Total operating revenues	200,403
Operating expenses:	
Personal services	142,455
Contract services	3,252
Materials and supplies	125,229
Depreciation	3,581
Total operating expenses	274,517
Operating loss	(74,114)
Nonoperating revenues:	
Operating grants	53,274
Federal commodities	20,683
Interest revenue	396
Total nonoperating revenues	74,353
Net income	239
Retained earnings, July 1	50,469
Retained earnings, June 30	\$ 50,708

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

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

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 7,045
Cash received from sales and service charges	193,358
Cash payments for personal services	(147,692)
Cash payments for contract services	(3,252)
Cash payments for materials and supplies	(104,386)
Net cash used in operating activities	(54,927)
Cash flows from noncapital financing activities:	
Cash received from operating grants	53,274
Net cash provided by noncapital financing activities.	53,274
Cash flows from investing activities:	
Interest received	396
Net cash provided by investing activities.	396
Net decrease in cash and cash equivalents	(1,257)
Cash and cash equivalents at beginning of year.	39,742
Cash and cash equivalents at end of year.	\$ 38,485
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (74,114)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,581
Federal donated commodities	20,683
Changes in assets and liabilities:	
Increase in materials and supplies inventory.	(1,734)
Decrease in accrued wages and benefits	(3,793)
Increase in compensated absences payable.	1,467
Decrease in pension obligation payable	(3,226)
Increase in due to other governments.	315
Increase in deferred revenue	1,894
Net cash used in operating activities.	\$ (54,927)

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 4 instructional buildings, 1 administrative building and 1 garage. The District employs 41 non-certified and 100 certified (including administrative) full-time and part-time employees to provide services to approximately 1,429 students in grades K through 12 and various community groups, which ranks it 390th out of approximately 705 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association (LACA)

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

The Licking County Joint Vocational School District is the fiscal agent for LACA. Financial statements for LACA can be obtained from Licking County Joint Vocational School District administrative offices at 150 Price Road, Newark, Ohio 43055.

Licking County Joint Vocational School

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

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

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

Capital Projects Funds - 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 and trust funds).

PROPRIETARY FUNDS

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust and agency funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are presented on a budget-basis, with note disclosure identifying items which would be subject to accrual for other fund types (see Note 3.B.).

ACCOUNT GROUPS

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

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include property taxes available as an advance, interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District's Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed fiscal year 2002 within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased (decreased) the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

E. Cash and Investments

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

During fiscal year 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), non-negotiable certificates of deposit, and repurchase agreements.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2002 totaled \$60,123, which included \$21,685 assigned from other funds of the District.

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 original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

F. Inventory

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

G. Prepayments

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds

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

<u>Asset</u>	<u>Life (years)</u>
Equipment and furniture	5 - 20

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

I. Compensated Absences

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

J. Long-Term Obligations

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

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

K. Fund Reserves/Designations

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, and BWC refunds. The reserve for property taxes represents taxes recognized as revenue in accordance with GAAP, but not available for appropriation in accordance with Ohio statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The District reports amounts set-aside by the School Board for budget stabilization as a designation of fund balance in the general fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

L. Early Retirement Incentive Bonus (ERIB)

During fiscal year 2000, the District established an ERIB in connection with its negotiated agreement. Certified employees with 25 years of service at age 55 or 30 years of service at any age are eligible to receive a bonus of \$10,000. Certified employees with 26 years of service at age 55 or 31 years of service at any age are eligible to receive a bonus of \$5,000. Classified employees with 25 years of service at any age and who work 25 or more hours per week are eligible to receive a bonus of \$3,000. Classified employees with 25 years of service at any age and who work between 20 and 24 hours per week are eligible to receive a bonus of \$1,500. Employees must make written application for the ERIB between January 1 and April 30 of the year in which the eligibility requirements have been met. Eligible employees making application must remain employed by the District for the remainder of the contract year.

A liability has been recorded at fiscal year-end for all employees who met the eligibility requirements and elected to retire under the terms of the ERIB. The liability for the ERIB is reported as a component of "Compensated absences payable" on the combined balance sheet. In addition, a liability has been recorded in the general long term obligation account group as "Early retirement incentive payable" for those individuals the District expects to accept the ERIB in fiscal 2003. This amounted to \$25,000 at June 30, 2002.

M. Interfund Transactions

Transactions between funds during the course of normal operations may occur. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund, which provides a service records revenue, and the fund, which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District’s interfund transactions for fiscal year 2002 is presented in Note 5.

N. Estimates

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

O. Memorandum Only - Total Columns

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2002, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Ohio Reads	\$13
Drug-Free Schools Grant	3

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

B. Agency Funds

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

<u>ASSETS</u>	
Accounts receivable	\$1,250
 <u>LIABILITIES</u>	
Accounts payable	626

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$491,265 and the bank balance was \$652,674. These amounts include \$502,000 in non-negotiable certificates of deposit. Of the bank balance:

1. \$602,000 was covered by federal depository insurance; and

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

2. \$50,674 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category of Risk 3	Fair Value
Repurchase agreement	\$215,940	\$215,940
Not subject to categorization:		
Investment in STAR Ohio	-	717,966
Total investments	<u>\$215,940</u>	<u>\$933,906</u>

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$1,425,171	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(717,966)	717,966
Repurchase agreement	<u>(215,940)</u>	<u>215,940</u>
GASB Statement No. 3	<u>\$ 491,265</u>	<u>\$933,906</u>

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$42,974
<u>Debt Service Fund</u>		
Bond Retirement	<u>42,974</u>	<u>-</u>
Totals	<u>\$42,974</u>	<u>\$42,974</u>

NOTE 6 - PROPERTY TAXES

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at various rates of true value.

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

The assessed value upon which the 2001 taxes were collected was \$146,011,450. Agricultural/residential and public utility/minerals real estate represented 82.8% or \$120,904,090 of this total, Commercial & industrial real estate represented 9.1% or \$13,262,850 of this total, public utility tangible represented 3.4% or \$4,923,820 of this total and general tangible property represented 4.7% or \$6,920,690 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$41.30 per \$1,000.00 of assessed valuation for operations and \$2.90 per \$1,000.00 of assessed valuation for debt service.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002, totaled \$244,257 in the general fund and \$1,749 in the debt service fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,462,758
Accounts	27,705
<u>Debt Service Fund</u>	
Taxes - current and delinquent	25,993

NOTE 8 - FIXED ASSETS

The following changes occurred in the general fixed assets account group during fiscal year 2002:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
Land/improvements	\$ 257,745	\$ 23,216	\$ -	\$ 280,961
Buildings/improvements	4,001,799	7,540	-	4,009,339
Furniture/equipment	1,701,002	421,776	(17,255)	2,105,523
Vehicles	<u>343,601</u>	<u>-</u>	<u>-</u>	<u>343,601</u>
Total	<u>\$6,304,147</u>	<u>\$452,532</u>	<u>\$(17,255)</u>	<u>\$6,739,424</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the proprietary fixed assets at June 30, 2002 follows:

Equipment and furniture	\$117,254
Less: accumulated depreciation	<u>(70,509)</u>
Net fixed assets	<u>\$ 46,745</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of digital copiers, a telephone system, and a voice mail system.

Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the General fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$289,993, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled \$29,611. This amount is reflected as debt service principal retirement in the general fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002.

Year Ending June 30	Copiers, Telephone and Voice-Mail Systems
2003	\$ 71,078
2004	71,078
2005	50,846
2006	46,800
2007	<u>35,100</u>
Total future minimum lease payments	274,902
Less: amount representing interest	<u>(44,041)</u>
Present value of future minimum lease payments	<u><u>\$230,861</u></u>

NOTE 10 - LONG-TERM OBLIGATIONS

General obligation bonds and energy conservation notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 2.90 mill bonded debt tax levy for the auditorium renovation bond and from current operating revenue for the energy conservation notes.

A. The following is a description of the District's bonds and notes outstanding as of June 30, 2002:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 07/01/01</u>	<u>Retired in Fiscal 2002</u>	<u>Balance 06/30/02</u>
Auditorium Renovation	9.25%	2/01/85	12/01/05	\$1,500,000	\$375,000	\$(75,000)	\$300,000
Energy Conservation Notes	4.90%	4/22/99	4/22/13	<u>431,700</u>	<u>386,428</u>	<u>(24,334)</u>	<u>362,094</u>
				<u><u>\$1,931,700</u></u>	<u><u>\$761,428</u></u>	<u><u>\$(99,334)</u></u>	<u><u>\$662,094</u></u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending June 30	Principal on General Obligation Bond	Interest on General Obligation Bond	Principal on HB 264 Energy Conservation Notes	Interest on HB 264 Energy Conservation Notes	Total
2003	\$ 75,000	\$24,281	\$ 25,541	\$ 17,434	\$142,256
2004	75,000	17,344	26,808	16,167	135,319
2005	75,000	10,406	28,136	14,837	128,379
2006	75,000	3,469	29,533	13,441	121,443
2007	-	-	30,998	11,977	42,975
2008 - 2012	-	-	179,633	35,238	214,871
2013	-	-	<u>41,445</u>	<u>1,529</u>	<u>42,974</u>
Total	<u>\$300,000</u>	<u>\$55,500</u>	<u>\$362,094</u>	<u>\$110,623</u>	<u>\$828,217</u>

C. During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. The general obligation bonds and the energy conservation notes are being paid out of the debt service fund. The capital lease is being retired from the general fund. Compensated absences, early retirement incentive and the pension obligation will be paid from the fund from which the employee is paid.

	Balance July 1, 2001	Increase	Decrease	Balance June 30, 2002
Compensated absences	\$ 664,091	\$ -	\$ (42,343)	\$ 621,748
Retirement incentive	40,000	25,000	(40,000)	25,000
Pension obligation	49,388	31,698	(49,388)	31,698
General obligation bonds	375,000	-	(75,000)	300,000
HB 264 energy conservation notes	386,428	-	(24,334)	362,094
Capital lease	<u>66,270</u>	<u>194,202</u>	<u>(29,611)</u>	<u>230,861</u>
Total	<u>\$1,581,177</u>	<u>\$250,900</u>	<u>\$(260,676)</u>	<u>\$1,571,401</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$13,089,378 (including available funds of \$248,347), an unvoted debt margin of \$146,011, and an unvoted energy conservation debt margin of \$952,009.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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

During fiscal year 2002, the District contracted with various commercial insurance carriers for the following coverages:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reductions in amounts of insurance coverage from fiscal 2001.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Health

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

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

C. Workers' Compensation

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of Food Service, Uniform School Supplies, and the Special Services Rotary. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Services Rotary</u>	<u>Total</u>
Operating revenues	\$193,358	\$ 5,245	\$1,800	\$200,403
Depreciation expense	3,581	-	-	3,581
Operating income/(loss)	(74,263)	(1,236)	1,385	(74,114)
Nonoperating revenues:				
Operating grants	53,274	-	-	53,274
Federal commodities	20,683	-	-	20,683
Interest revenue	396	-	-	396
Net income/(loss)	90	(1,236)	1,385	239
Net working capital	22,685	2,338	2,265	27,288
Total assets	87,015	2,338	2,265	91,618
Total liabilities	40,910	-	-	40,910
Total fund equity	46,105	2,338	2,265	50,708
Encumbrances at June 30, 2002	888	-	765	1,653

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$100,742, \$102,727, and \$97,255, respectively; 55.4% has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$44,892, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14 percent ; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$545,909, \$544,889, and \$501,009, respectively; 81.5% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$100,772, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, three members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$175,471 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$78,322 during the 2002 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget basis	\$ (94,466)	\$(34,684)	\$(68,871)	\$(9,042)
Net adjustment for revenue accruals	(22,528)	8,003	(2,641)	-
Net adjustment for expenditure accruals	(348,889)	(6,568)	(13)	-
Net adjustment for other financing sources/(uses)		185,756	(1,417)	--
Adjustment for encumbrances	<u>202,214</u>	<u>33,190</u>	<u>-</u>	<u>1,200</u>
GAAP basis	<u>\$ (77,913)</u>	<u>\$ (1,476)</u>	<u>\$ (71,525)</u>	<u>\$ (7,842)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

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

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

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

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

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. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance/carry forward as of June 30, 2001	\$ (23,735)	\$ 0	\$ 35,940
Current year set-aside requirement	171,772	171,772	-
Qualifying disbursements	<u>(201,201)</u>	<u>(260,375)</u>	<u>(23,552)</u>
Total	<u>\$ (53,164)</u>	<u>\$ (88,603)</u>	<u>\$ 12,388</u>
Cash balance/carry forward to FY 2003	<u>\$ (53,164)</u>	<u>\$ 0</u>	<u>\$ 12,388</u>

Monies representing Bureau of Workers' Compensation (BWC) refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2002 was \$82,820. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

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

A schedule of restricted assets at June 30, 2002, follows:

Amount restricted for BWC refunds	<u>\$12,388</u>
Total	<u>\$12,388</u>

SUPPLEMENTAL DATA

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A	\$ -	\$ 22,679	\$ -	\$ 20,683
(A) (C) National School Lunch	10.555	047985-LL-P4-2001	5,875		5,875	
(A) (C) National School Lunch	10.555	047985-LL-P4-2002	45,754		45,754	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>51,629</u>	<u>22,679</u>	<u>51,629</u>	<u>20,683</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	047985-C1-S1-2001	-		3,822	
Title I - Grants to Local Educational Agencies	84.010	047985-C1-S1-2002	111,914		105,594	
Total Title I - Grants to Local Educational Agencies			<u>111,914</u>		<u>109,416</u>	
Title VI-B - Education of the Handicapped Act	84.027	047985-6B-SF-2002-P	90,028		79,519	
Safe and Drug-Free Schools	84.186	047985-DR-S1 2001	-		349	
Safe and Drug-Free Schools	84.186	047985-DR-S1-2002	5,380		4,723	
Total Safe and Drug-Free Schools			<u>5,380</u>		<u>5,072</u>	
Eisenhower Professional Development	84.281	047985-MS-S1-2000	-		195	
Eisenhower Professional Development	84.281	047985-MS-S1-2001	-		2,021	
Eisenhower Professional Development	84.281	047985-MS-S1-2002	5,855		2,876	
Total Eisenhower Professional Development			<u>5,855</u>		<u>5,092</u>	
Title VI - Innovative Educational Program Strategies	84.298	047985-C2-S1-2001	-		994	
Title VI - Innovative Educational Program Strategies	84.298	047985-C2-S1-2002	6,191		5,999	
Total Title VI - Innovative Educational Program Strategies			<u>6,191</u>		<u>6,993</u>	
Class Size Reduction	84.340	047985-CR-S1-2001	-		2,805	
Class Size Reduction	84.340	047985-CR-S1-2002	30,250		29,270	
Total Class Size Reduction			<u>30,250</u>		<u>32,075</u>	
School Renovation, IDEA & Technology	84.352A	N/A	-		1,140	
Total U.S. Department of Education			<u>249,618</u>		<u>239,307</u>	
Total Federal Financial Assistance			<u>\$ 301,247</u>	<u>\$ 22,679</u>	<u>\$ 290,936</u>	<u>\$ 20,683</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

(D) This schedule was prepared on the cash basis of accounting.

TRIMBLE, JULIAN & GRUBE, INC.

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

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

We have audited the general purpose financial statements of Johnstown-Monroe Local School District, Licking County, as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated October 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Johnstown-Monroe Local School District's 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 general purpose 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 a certain immaterial instance of noncompliance that we have reported to the management of Johnstown-Monroe Local School District in a separate letter dated October 11, 2002.

Board of Education
Johnstown-Monroe Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnstown-Monroe Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Johnstown-Monroe Local School District in a separate letter dated October 11, 2002.

This report is intended for the information and use of the management, Board of Education of Johnstown-Monroe Local School District, Licking County, 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.

Trimble, Julian & Grube, Inc.
October 11, 2002

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Report On Compliance With Requirements Applicable to Its Major Programs and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*

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

Compliance

We have audited the compliance of Johnstown-Monroe Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the fiscal year ended June 30, 2002. Johnstown-Monroe Local School District's major federal programs are 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 programs are the responsibility of Johnstown-Monroe Local School District's management. Our responsibility is to express an opinion on Johnstown-Monroe Local 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Johnstown-Monroe Local 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 Johnstown-Monroe Local School District's compliance with those requirements.

Board of Education
Johnstown-Monroe Local School District

In our opinion, Johnstown-Monroe Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the fiscal year ended June 30, 2002.

Internal Control Over Compliance

The management of Johnstown-Monroe Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Johnstown-Monroe Local 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*.

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

This report is intended for the information and use of management, the Board of Education of Johnstown-Monroe Local School District, 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.

Trimble, Julian & Grube, Inc.
October 11, 2002

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title VI-B, CFDA #84.027; Title I- CFDA # 84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 10, 2002**