Audit Report
First Year of the Biennium

July 1, 1999 through June 30, 2000

LUCAS LOCAL SCHOOL DISTRICT - RICHLAND COUNTY

MOORE STEPHENS APPLE

Certified Public Accountants
& Business Consultants

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the Board of Education
Lucas Local School District
Lucas, Ohio 44843

We have reviewed the Independent Auditor's Report of theLucas Local School District, Richland County, prepared by Moore, Stephens, Apple, for the audit period July 1, 1999 through June 30, 2000. 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 Lucas Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 10, 2002

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LUCAS LOCAL SCHOOL DISTRICT - RICHLAND COUNTY

AUDIT REPORT
June 30, 2000

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Report of Independent Auditors

To the Board of Education
Lucas Local School District
Lucas, Ohio 44843

We have audited the accompanying general purpose financial statements of the Lucas Local School District as of and for the year ended June 30, 2000. These general purpose financial statements are the responsibility of the Lucas Local School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Lucas Local School District as of June 30, 2000 and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2001 on our consideration of the Lucas Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Moore Stephens Apple

Akron, Ohio
December 22, 2001

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
ASSETS AND OTHER DEBITS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
ASSETS:										
Equity in pooled cash and cash equivalents	$1,141,458	$135,063	$57,919	$71,268	$36,308	$220,224	$33,181			$1,695,421
Equity in pooled cash and cash equivalents - nonexpendable trust fund							36,686			36,686
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent	1,932,811		52,948							1,985,759
Accounts	10,296	321			55		105			10,777
Accrued interest	5,116									5,116
Due from other governments	2,400				3,634					6,034
Prepayments	13,090	162			77					13,329
Materials and supplies inventory	25,156				2,752					27,908
Restricted assets:										
Equity in pooled cash and cash equivalents	46,520									46,520
Property, plant and equipment (net of accumulated depreciation where applicable)					14,856			$4,287,768		4,302,624
OTHER DEBITS:										
Amount available in debt service fund									$59,446	59,446
Amount to be provided for retirement of general long-term obligations									320,929	320,929
Total assets and other debits	$3,176,847	$135,546	$110,867	$71,268	$57,682	$220,224	$69,972	$4,287,768	$380,375	$8,510,549

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable.	$2,740	$7,593			$317		$59			$10,709
Accrued wages and benefits	248,261	735		$3	1,959					250,958
Compensated absences payable . . .	23,418				2,647				$154,210	180,275
Pension obligation payable.	56,768	300			10,143				43,138	110,349
Claims payable.						$59,905				59,905
Deferred revenue.	1,876,883	5,925	$51,421		1,084	16,989				1,952,302
Due to students.							$29,288			29,288
General obligation bonds payable									140,000	140,000
Energy conservation note payable . . .									43,027	43,027
Total liabilities.	2,208,070	14,553	51,421	3	16,150	76,894	29,347		380,375	2,776,813
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								$4,287,768		4,287,768
Contributed capital					1,500					1,500
Retained earnings: unreserved					40,032	143,330				183,362
Fund balances:										
Reserved for encumbrances.	113,843	18,519								132,362
Reserved for prepayments.	13,090	162								13,252
Reserved for materials and supplies inventory	25,156									25,156
Reserved for debt service			57,966							57,966
Reserved for tax revenue unavailable for appropriation.	54,016		1,480							55,496
Reserved for principal endowment . . .							36,686			36,686
Reserved for budget stabilization. . .	45,681									45,681
Reserved for textbooks	839									839
Unreserved-undesignated (deficit) . .	707,286	102,312		71,265			3,939			884,802
Designated for budget stabilization. .	8,866									8,866
Total equity and other credits	968,777	120,993	59,446	71,265	41,532	143,330	40,625	4,287,768		5,733,736
Total liabilities, equity and other credits.	$3,176,847	$135,546	$110,867	$71,268	$57,682	$220,224	$69,972	$4,287,768	$380,375	$8,510,549

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
From local sources:						
Taxes	$1,309,286		$55,123			$1,364,409
Tuition	64,260					64,260
Earnings on investments	91,553	$706		$386	$161	92,806
Extracurricular		128,224				128,224
Other local revenues	34,577	1,193		12,661	1,450	49,881
Other revenue		2,000				2,000
Intergovernmental - State	1,985,221	109,387	5,295	24,000		2,123,903
Intergovernmental - Federal	1,397	70,867				72,264
Total revenue	3,486,294	312,377	60,418	37,047	1,611	3,897,747
Expenditures:						
Current:						
Instruction:						
Regular	1,394,666	13,344		24,423		1,432,433
Special	252,213	42,039				294,252
Vocational	122,181				1,200	123,381
Other	58,064					58,064
Support services:						
Pupil	96,760	8,919				105,679
Instructional staff	158,881	56,625		1,282	801	217,589
Board of education	12,224					12,224
Administration	495,148	30,909				526,057
Fiscal	155,553	24	2,169			157,746
Operations and maintenance	350,208					350,208
Pupil transportation	289,558					289,558
Central	13,443	5,123				18,566
Community services	5,709					5,709
Extracurricular activities	126,569	91,675				218,244
Facilities aquisition and construction				775		775
Debt service:						
Principal retirement			75,379			75,379
Interest and fiscal charges			11,832			11,832
Total expenditures	3,531,177	248,658	89,380	26,480	2,001	3,897,696
Excess (deficiency) of revenues over (under) expenditures	(44,883)	63,719	(28,962)	10,567	(390)	51
Other financing sources:						
Proceeds from sale of fixed assets	5,987					5,987
Total other financing sources	5,987					5,987
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(38,896)	63,719	(28,962)	10,567	(390)	6,038
Fund balances, July 1	1,004,629	57,274	88,408	60,698	4,329	1,215,338
Increase in reserve for inventory	3,044					3,044
Fund balances, June 30	$968,777	$120,993	$59,446	$71,265	$3,939	$1,224,420

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	$1,510,000	$1,625,631	$115,631				$65,000	$68,702	$3,702				$1,575,000	$1,694,333	$119,333
Tuition	30,000	54,265	24,265										30,000	54,265	24,265
Earnings on investments	66,550	89,203	22,653	$627	$706	$79				$310	$385	$75	67,487	90,294	22,807
Extracurricular				115,446	129,972	14,526							115,446	129,972	14,526
Other local revenues	27,050	31,376	4,326	2,392	2,693	301				10,200	12,662	2,462	39,642	46,731	7,089
Other revenue				1,776	2,000	224							1,776	2,000	224
Intergovernmental - State	1,889,395	1,987,374	97,979	97,162	109,387	12,225	5,000	5,295	295	19,334	24,000	4,666	2,010,891	2,126,056	115,165
Intergovernmental - Federal	1,000	1,398	398	60,966	68,637	7,671							61,966	70,035	8,069
Total revenues	3,523,995	3,789,247	265,252	278,369	313,395	35,026	70,000	73,997	3,997	29,844	37,047	7,203	3,902,208	4,213,686	311,478
Expenditures:															
Current:															
Instruction:															
Regular	1,397,933	1,405,042	(7,109)	18,643	14,927	3,716				74,251	24,423	49,828	1,490,827	1,444,392	46,435
Special	246,942	273,167	(26,225)	42,306	42,075	231							289,248	315,242	(25,994)
Vocational	146,870	120,090	26,780										146,870	120,090	26,780
Other	46,300	58,062	(11,762)										46,300	58,062	(11,762)
Support services:															
Pupil	161,300	98,348	62,952	8,293	10,159	(1,866)							169,593	108,507	61,086
Instructional staff	187,323	163,208	24,115	96,353	69,754	26,599				9,441	1,281	8,160	293,117	234,243	58,874
Board of Education	12,040	12,348	(308)										12,040	12,348	(308)
Administration	476,900	482,178	(5,278)	36,179	31,535	4,644							513,079	513,713	(634)
Fiscal	179,853	153,954	25,899				6,000	2,169	3,831				185,853	156,123	29,730
Operations and maintenance	366,694	356,300	10,394										366,694	356,300	10,394
Pupil transportation	309,237	347,734	(38,497)										309,237	347,734	(38,497)
Central	15,850	12,945	2,905	5,800	5,232	568							21,650	18,177	3,473
Community services	7,103	5,709	1,394	670	670	0							7,773	6,379	1,394
Extracurricular activities	111,796	126,580	(14,784)	94,428	94,347	81							206,224	220,927	(14,703)
Facilities acquisition and construction										775	775	0	775	775	0
Debt service:															
Principal retirement							75,329	75,329	0				75,329	75,329	0
Interest and fiscal charges							11,878	11,882	(4)				11,878	11,882	(4)
Total expenditures	3,666,141	3,615,665	50,476	302,672	268,699	33,973	93,207	89,380	3,827	84,467	26,479	57,988	4,146,487	4,000,223	146,264
Excess (deficiency) of revenues over (under) expenditures	(142,146)	173,582	315,728	(24,303)	44,696	68,999	(23,207)	(15,383)	7,824	(54,623)	10,568	65,191	(244,279)	213,463	457,742
Other financing sources (uses):															
Refund of prior year's expenditures	0	2,280	2,280										0	2,280	2,280
Operating transfers (out)	(3,000)	0	3,000										(3,000)	0	3,000
Proceeds of sale of fixed assets	0	5,986	5,986										0	5,986	5,986
Total other financing sources (uses)	(3,000)	8,266	11,266										(3,000)	8,266	11,266
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(145,146)	181,848	326,994	(24,303)	44,696	68,999	(23,207)	(15,383)	7,824	(54,623)	10,568	65,191	(247,279)	221,729	469,008
Fund balances, July 1	857,670	857,670	0	54,544	54,544	0	71,802	71,802	0	56,450	56,450	0	1,040,466	1,040,466	0
Prior year encumbrances appropriated	32,254	32,254	0	9,711	9,711	0	1,500	1,500	0	4,250	4,250	0	47,715	47,715	0
Fund balances, June 30	$744,778	$1,071,772	$326,994	$39,952	$108,951	$68,999	$50,095	$57,919	$7,824	$6,077	$71,268	$65,191	$840,902	$1,309,910	$469,008

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:				
Tuition and fees	$15,679			$15,679
Sales/charges for services	130,760	$268,098		398,858
Investment earnings			$1,748	1,748
Other operating revenues			10,000	10,000
Total operating revenues	146,439	268,098	11,748	426,285
Operating expenses:				
Personal services	73,022			73,022
Contract services	1,693	72,800		74,493
Materials and supplies	94,584	114		94,698
Depreciation	2,055			2,055
Claims expense		123,381		123,381
Other operating expenses	1,193	4,334	500	6,027
Total operating expenses	172,547	200,629	500	373,676
Operating income (loss)	(26,108)	67,469	11,248	52,609
Nonoperating revenues:				
Operating grants	26,042			26,042
Federal commodities	12,094			12,094
Interest revenue	1,100			1,100
Other nonoperating revenues		1,987		1,987
Total nonoperating revenues	39,236	1,987		41,223
Net income	13,128	69,456	11,248	93,832
Retained earnings/fund balance, July 1	26,904	73,874	25,438	126,216
Retained earnings/fund balance, June 30	$40,032	$143,330	$36,686	$220,048

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:				
Cash received from tuition and fees/other	$15,846		$10,000	$25,846
Cash received from sales/service charges	131,436	$262,654		394,090
Cash payments for personal services	(74,625)			(74,625)
Cash payments for contract services	(1,770)	(72,800)		(74,570)
Cash payments for materials and supplies	(81,528)	(114)		(81,642)
Cash payments for claims expenses		(152,490)		(152,490)
Cash payments for other expenses	(1,116)	(4,334)	(500)	(5,950)
Net cash provided by (used in) operating activities	(11,757)	32,916	9,500	30,659
Cash flows from noncapital financing activities:				
Cash received from operating grants	25,966			25,966
Cash received from other noncapital financing activities		1,987		1,987
Net cash provided by noncapital financing activities	25,966	1,987		27,953
Cash flows from capital and related financing activities:				
Aquisition of capital assets	(4,200)			(4,200)
Net cash used in capital and related financing activities	(4,200)			(4,200)
Cash flows from investing activities:				
Interest received	1,100		1,748	2,848
Net cash provided by investing activities	1,100		1,748	2,848
Net increase in cash and cash equivalents	11,109	34,903	11,248	57,260
Cash and cash equivalents at beginning of year	25,199	185,321	25,438	235,958
Cash and cash equivalents at end of year	$36,308	$220,224	$36,686	$293,218
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	($26,108)	$67,469	$11,248	$52,609
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,055			2,055
Federal donated commodities	12,094			12,094
Interest reported as operating income			(1,748)	(1,748)
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	2,183			2,183
Decrease in accounts receivable	843			843
Increase in accounts payable	34			34
Decrease in accrued wages and benefits	(1,387)			(1,387)
Increase in compensated absences payable	417			417
Decrease in pension obligation payable	(633)			(633)
Decrease in claims payable		(29,109)		(29,109)
Decrease in deferred revenue	(1,255)	(5,444)		(6,699)
Net cash provided by (used in) operating activities	($11,757)	$32,916	$9,500	$30,659

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

June 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Lucas Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District ranks as the 583rd largest by total enrollment among the 660 public and community school districts in the State. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's four instructional/support facilities staffed by 34 classified and 47 certificated full-time teaching personnel who provide services to 637 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

JOINTLY GOVERNED ORGANIZATION

Heartland Council of Governments (the COG)
The COG (fka North Central Ohio Computer Cooperative) is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

PUBLIC ENTITY RISK POOL

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

June 30, 2000

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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 of construction of major capital facilities (other than those financed by proprietary funds or the nonexpendable trust fund).

June 30, 2000

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

PROPRIETARY FUNDS

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

Enterprise Funds - The enterprise funds are used to account for operations (a) that are 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.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a nonexpendable trust fund, an expendable trust fund and an agency fund. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of the agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

June 30, 2000

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

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of 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 or trust 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 or the nonexpendable trust fund.

C. Measurement Focus/Basis of Accounting

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

All proprietary funds and the nonexpendable trust fund 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.

June 30, 2000

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. 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 sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and 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.

The proprietary funds and nonexpendable trust fund 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 in the operating statement as an expense and a like amount is reported as donated commodities revenue.

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2000 is as follows:

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

2. By no later than January 20, the board-adopted budget is filed with the Richland 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 Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

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 and encumbrances may not exceed the appropriation totals.

June 30, 2000

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

6. 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 the year within the amount of their legally authorized cash basis appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000.

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

   Encumbrance accounting is utilized with District funds 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 commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the 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 and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for the enterprise funds at fiscal year end.

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.

June 30, 2000

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

During fiscal year 2000, investments were limited to nonnegotiable certificates of deposit, a repurchase agreement and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are stated at fair market value which is based upon quoted market prices. Nonparticipating investment contracts such as nonnegotiable 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, 2000.

Under existing Ohio Statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the District Managed Activities special revenue fund, the expendable trust fund, the nonexpendable trust fund, the Food Service enterprise fund, and the Permanent Improvement capital projects fund. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments during fiscal 2000:

	Interest Actually Received	Interest Based upon Share of Investments	Interest Assigned by Other Funds
General Fund	$91,553	$62,015	$29,538
Enterprise Funds			
Food Service	1,100	1,032	68

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 year end is provided in Note 4.

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

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 indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost or estimated historical cost. 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 $500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets 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:

Asset	Life (years)
Furniture, fixtures and equipment	5 - 20

June 30, 2000

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

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
Education Management Information Systems
Title VI-B
Local Professional Development
Title I
Title VI
Venture Capital
SchoolNet Professional Development
Ohio Reads
Summer Intervention
Safe Schools Helpline
Title VI-Class Size Reduction

Capital Projects Funds
SchoolNet Plus

Proprietary Funds
Food Distribution Program

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

Reimbursable Grants

General Fund
Driver Education Reimbursement
School Bus Purchase Reimbursement
Vocational Education Travel/Salary

Special Revenue Funds
Telecommunications

Proprietary Funds
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 51% of the District's operating revenue during the 2000 fiscal year.

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 fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their 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.

J. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal interest. GAAP requires the allocation of the debt liability among the general and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

June 30, 2000

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

L. Fund Balance 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. Designated fund balance is not legally restricted by State statute. Fund balance is designated for budget stabilization to the extent that monies have been set-aside above the legal requirement (See Note 18). Fund balances are reserved for encumbrances, prepayments, materials and supplies inventory, debt service, tax revenue unavailable for appropriation, principal endowment, budget stabilization and textbooks. Although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. The District made no operating transfers in fiscal year 2000.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2000.

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

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization and textbook reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 18 for detail of statutory reserves.

O. Estimates

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

P. Prepayments

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

Q. 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.

June 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balance at June 30, 2000 included the following individual fund deficits:

	Deficit Balance
Special Revenue Funds	
Title I	$87
Local Professional Development	2

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

The deficit fund balances in the Title I and the Local Professional Development special revenue funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

B. Agency Fund

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

ASSETS	
Accounts receivable	$2,554
LIABILITIES	
Accounts payable	779
Pension obligation payable	22

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

June 30, 2000

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

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

Deposits: At year end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was $286,734 and the bank balance, including non-negotiable certificates of deposit, was $391,724. Of the bank balance:

1. $370,436 was covered by federal depository insurance.

2. $21,288 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non compliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	$128,289	$ 128,289	$ 128,289
Investment in STAR Ohio		1,363,604	1,363,604
Total investments		$ 1,491,893	$ 1,491,893

June 30, 2000

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

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	$ 1,778,627	$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	(1,363,604)	1,363,604
Repurchase Agreement	(128,289)	128,289
GASB Statement No. 3	$ 286,734	$1,491,893

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

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

June 30, 2000

NOTE 5 - PROPERTY TAXES - (Continued)

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 assessed value upon which the 1999 taxes were collected was $54,965,520. Agricultural/residential and public utility/minerals real estate represented 71.43% or $39,264,020 of this total; commercial & industrial real estate represented 2.15% or $1,182,570 of this total, public utility tangible represented 24.91% or $13,689,940 of this total and general tangible property represented 1.51% or $828,990 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was $42.70 per $1,000.00 of assessed valuation for operations and $1.00 per $1,000.00 of assessed valuation for debt retirement.

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

The District receives property taxes from Richland and Ashland Counties. The respective County Treasurers collect property taxes on behalf of the District. The respective County Auditors periodically remit 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, 2000. 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. The amount available as an advance, and recorded as revenue, at June 30, 2000, was $54,016 in the general fund and $1,480 in the debt service fund.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, 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.

June 30, 2000

NOTE 6 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (billings for user charged services), accrued interest and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	$1,932,811
Due from other governments	2,400
Accrued interest	5,116
Accounts	10,296
Debt Service Fund	
Taxes - current and delinquent	52,948
Enterprise Funds	
Due from other governments	3,634

NOTE 7 - FIXED ASSETS

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

	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Land/Improvements	$ 48,875	$ ---	$ ---	$ 48,875
Buildings/improvements	3,018,889	---	---	3,018,889
Furniture/equipment	667,100	78,047	(43,286)	701,861
Vehicles	466,089	56,054	(4,000)	518,143
Total	$4,200,953	$134,101	$(47,286)	$4,287,768

There was no significant construction in progress at June 30, 2000.

June 30, 2000

NOTE 7 - FIXED ASSETS - (Continued)

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	$ 80,155
Less: accumulated depreciation	(65,299)
Net fixed assets	$ 14,856

NOTE 8 - CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2000 are summarized by source as follows:

	Food Service
Contributed capital, July 1, 1999	$ 1,500
Current contributions	- - -
Contributed capital, June 30, 2000	$1,500

NOTE 9 - LONG-TERM OBLIGATIONS

The District has two long-term debt issues outstanding at June 30, 2000. These debt issues represent a general obligation bond and an energy conservation note.

During fiscal year 1998, the District issued a $53,785 energy conservation note to provide for energy improvements to various District buildings. The primary source of repayment of this note is through energy savings as a result of the improvements. This note bears an interest rate of 4.75% and matures on September 1, 2007.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group.

June 30, 2000

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

A. The following is a description of the District's general obligation bond and energy conservation note outstanding as of June 30, 2000:

	Interest Rate	Maturity Date	Outstanding July 1, 1999	Retired in 2000	Outstanding June 30, 2000
General obligation bond payable	5.50%	12/01/01	$210,000	$ (70,000)	$ 140,000
Energy conservation note payable	4.75%	09/01/07	48,406	(5,379)	43,027
			$258,406	$ (75,379)	$ 183,027

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

Fiscal Year Ending	Principal on Bond/Note	Interest on Bond/Note	Total
2001	$ 75,379	$ 7,719	$ 83,098
2002	75,379	3,610	78,989
2003	5,379	1,426	6,805
2004	5,379	1,167	6,546
2005	5,379	908	6,287
2006 - 2008	16,132	1,169	17,301
Total	$183,027	$15,999	$199,026

June 30, 2000

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and pension obligations will be paid from the fund in which the employee is paid.

	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
General obligation bond	$210,000	$ ---	$ (70,000)	$140,000
Compensated absences	156,325	16,033	(18,148)	154,210
Pension obligation payable	43,162	43,138	(43,162)	43,138
Energy conservation note	48,406	---	(5,379)	43,027
Total	$457,893	$59,171	$(136,689)	$380,375

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 effects of these debt limitations at June 30, 2000 are a voted debt margin of $4,866,343 (including available funds of $59,446) and an unvoted debt margin of $54,966.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given fifteen to twenty days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent who can carry over up to ten days at the end of his contract, and the Treasurer who can carry over up to five days at the end of her contract. Teachers do not earn vacation time.

June 30, 2000

NOTE 10 - COMPENSATED ABSENCES - (Continued)

Administrators, teachers, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 220 days. Upon retirement, payment is made to employees with ten or more years of service at the District for twenty-five percent of the total sick leave accumulation with a maximum of 40 days payment.

During fiscal year 2000, the District adopted a one-time exit bonus for all part-time employees with a minimum of ten consecutive years of experience with the District. Part-time employees who elect this exit bonus must retire with the retirement system. Upon retirement, the exit bonus will be calculated on a formula of twenty-five percent of the first 120 days of accrued sick leave. The exit bonus is calculated using the scheduled daily rate of pay at the time of retirement. For those part-time who have accrued sick leave beyond 120 days, the following additional formula will apply:

Accumulated sick leave	Exit bonus shall be increased by:	Total exit bonus days
130 - 139 days	1 additional day	31
140 - 149 days	2 additional days	32
150 - 150 days	3 additional days	33
160 - 169 days	4 additional days	34
170 - 179 days	5 additional days	35
180 - 189 days	6 additional days	36
190 - 199 days	7 additional days	37
200 - 209 days	8 additional days	38
210 - 219 days	9 additional days	39
> = 220 days	10 additional days	40

The maximum exit bonus days that any employee can earn is forty.

NOTE 11 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the District retained property insurance coverage in the blanket amount of $13,447,574 with 90% coinsurance, replacement cost endorsement and a $1,000 deductible. Boiler and machinery coverage is also included in with the blanket coverage in the amount of $5,757,190 with a $1,000 deductible. The District also has inland marine floaters in the amount of $1,050,000 with a $250 deductible for coverage of audio visual equipment, two way radios, tractors, musical instruments and uniforms.

Vehicles are covered by a policy through Nationwide/Wausau Insurance Companies which provides for a $50 deductible for comprehensive and a $250 deductible for collision. Vehicle liability has a $2,000,000 combined single limit of liability.

Nationwide/Wausau Insurance Companies also provide general liability coverage with a $2,000,000 single occurrence limit and an aggregate of $5,000,000 with no deductible.

B. Employee Dishonesty Bonds

The District carries employee dishonesty bonds for the Treasurer, Superintendent, and Board President in the amount of $20,000. Also an employee blanket dishonesty bond in the amount of $5,000 is provided to cover all other employees of the District.

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - RISK MANAGEMENT - (Continued)

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 worker's 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 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.

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

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees through Anthem Benefit Administrators Inc. in the following amounts: full-time employees $25,000, administrators $50,000, and part-time grandfathered employees $10,000.

The District has elected to provide a comprehensive medical benefits package to the employees through a self-insured program. The District maintains a self-insured internal service fund to account for the finances of its uninsured risks of loss in this program. This package provides a comprehensive medical plan with a $275 single and $375 family deductible ($100 single and $200 family deductibles for administrators). A third party administrator, Anthem Benefits Administrators Inc., located in Columbus, Ohio, reviews all claims for the medical plan which are then paid by the District. The District purchases stop-loss coverage of $20,000 per individual and an aggregate limit of $288,955 from Cox Insurance Group. The total monthly premium paid into the internal service fund for the medical plan is $184 for single coverage and $456 for family coverage which is paid out of the same fund that pays the salary for the employee. The District's amounts are capped by negotiated union contracts and cannot be increased except throughout negotiations. The employee monthly portion of the premium is $18 for single coverage and $46 for family coverage which is withheld from their biweekly payroll. The employees are responsible for payment of all claim amounts in excess of the employer capped amounts.

June 30, 2000

NOTE 11 - RISK MANAGEMENT - (Continued)

The District provides dental coverage for its employees on a self-insured basis through Anthem Benefits Administrators Inc. The total monthly premium is $28 for single and family coverage. This premium is paid by the District. Like the medical premium, this amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement. The employees are responsible for payment of all claim amounts in excess of the employer capped amounts.

The above employee portions of premiums for medical and dental insurance are for full-time employees. Grandfathered part-time employees also have medical and dental insurance benefits.

The claims liability of $59,905 reported in the fund at June 30, 2000, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Beginning of Year	Claims	Payments	End of Year
2000	$89,014	$123,381	$(152,490)	$59,905
1999	22,016	373,834	(306,836)	89,014

June 30, 2000

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies and farm operations. 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, 2000.

	Food Service	Uniform School Supplies	Rotary Farm	Total
Operating revenue	$130,760	$15,679	$ ---	$146,439
Operating expenses before depreciation	156,077	13,893	522	170,492
Depreciation	2,055	---	---	2,055
Operating income (loss)	(27,372)	1,786	(522)	(26,108)
Operating grants	26,042	---	---	26,042
Net income (loss)	11,864	1,786	(522)	13,128
Net working capital	12,427	11,414	2,835	26,676
Total assets	43,116	11,731	2,835	57,682
Total liabilities	15,833	317	---	16,150
Contributed capital	1,500	---	---	1,500
Total equity	27,283	11,414	2,835	41,532
Encumbrances at 06/30/00	---	384	---	384

June 30, 2000

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, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were $86,340, $80,370, and $77,578, respectively; 41 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. $50,928, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

June 30, 2000

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System – (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were $235,153, $224,723, and $214,012, respectively; 82 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. $42,016, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $134,373 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was $2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were $249.929 million and STRS had 95,796 eligible benefit recipients.

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were $126.4 million and the target level was $189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of $188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $70,646 during the 2000 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

June 30, 2000

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(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).

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

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

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Project
Budget basis	$ 181,848	$44,696	$(15,383)	$10,568
Net adjustment for revenue accruals	(302,953)	(1,018)	(13,579)	---
Net adjustment for expenditure accruals	(31,718)	(6,071)	---	(1)
Net adjustment for other financing sources (uses)	(2,279)	---	---	---
Encumbrances (budget basis)	116,206	26,112	---	---
GAAP basis	$ (38,896)	$63,719	$(28,962)	$10,567

June 30, 2000

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, 2000.

B. Litigation

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

C. State School Funding Decision

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

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 31, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

June 30, 2000

NOTE 16 - CONTINGENCIES - (Continued)

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

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

NOTE 17 - GROUP PURCHASING POOL

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program; custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases.

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of July 1, 1999	$ 0	$ 0	$45,681
Current year set-aside requirement	81,821	81,821	---
Current year additional set-aside	---	---	8,866
Current year offsets	(8,926)	---	---
Qualifying disbursements	(72,056)	(120,966)	---
Total	$ 839	$ (39,145)	$54,547
Cash balance carried forward to FY 2001	$ 839	$ 0	$54,547

NOTE 18 - STATUTORY RESERVES – (Continued)

Although the District had offsets and qualifying disbursements during the year

June 30, 2000

NOTE 18 - STATUTORY RESERVES – (Continued)

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

A current year set-aside for budget stabilization is not required for fiscal year 2000, however, the District has elected to set-aside $8,866. This amount is reported as designated fund balance on the combined balance sheet. Amounts set-aside in excess of statutory requirements are not reported as restricted assets and no reservation of fund balance is presented.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	$45,681
Amount restricted for textbooks	839
Total restricted assets	$46,520

SUPPLEMENTAL INFORMATION

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Independent Auditors' 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

To the Board of Education
Lucas Local School District
Lucas, Ohio 44843

We have audited the general purpose financial statements of the Lucas Local School District (the District), as of and for the year ended June 30, 2000 and have issued our report thereon dated November 22, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lucas 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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal 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 a certain matter involving the internal control over financial reporting that we have reported to management of the District, in a separate letter dated November 22, 2001

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

Moore Stephens Apple

Akron, Ohio
November 22, 2001

Audit Report
Second Year of the Biennium

July 1, 2000 through June 30, 2001

LUCAS LOCAL SCHOOL DISTRICT - RICHLAND COUNTY

MOORE STEPHENS APPLE

Certified Public Accountants
& Business Consultants

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the Board of Education
Lucas Local School District
Lucas, Ohio 44843

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

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

JIM PETRO
Auditor of State

January 10, 2002

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Report of Independent Auditors

To the Board of Education
Lucas Local School District
Lucas, Ohio 44843

We have audited the accompanying general purpose financial statements of the Lucas Local School District as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the Lucas Local School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Lucas Local School District as of June 30, 2001 and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2001 on our consideration of the Lucas Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Moore Stephens Apple

Akron, Ohio
November 21, 2001

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GENERAL PURPOSE FINANCIAL STATEMENTS

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents.	$1,398,537	$83,153	$40,606	$27,779	$44,625	$186,594	$34,440			$1,815,734
Equity in pooled cash and cash equivalents - nonexpendable trust fund							37,307			37,307
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent	1,887,114		45,190							1,932,304
Accounts	7,772	279			201		193			8,445
Accrued interest.	8,737									8,737
Due from other governments.		9,319			2,611					11,930
Interfund loan receivable.	22,450									22,450
Prepayments	15,590	3,158			120					18,868
Materials and supplies inventory. . .	26,236				2,096					28,332
Restricted assets:										
Equity in pooled cash and cash equivalents	19,060									19,060
Property, plant and equipment (net of accumulated depreciation where applicable).					14,054			$4,430,854		4,444,908
OTHER DEBITS:										
Amount available in debt service fund . .									$42,533	42,533
Amount to be provided for retirement of general long-term obligations.									260,000	260,000
Total assets and other debits.	$3,385,496	$95,909	$85,796	$27,779	$63,707	$186,594	$71,940	$4,430,854	$302,533	$8,650,608

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable.	$3,166	$4,188		$1,976						$9,330
Accrued wages and benefits	256,621	4,579		4	$489					261,693
Compensated absences payable . .	13,530				6,145				$146,962	166,637
Pension obligation payable.	56,852	34			10,924				47,923	115,733
Claims payable.						$37,665				37,665
Interfund loan payable.							$22,450			22,450
Deferred revenue.	1,810,433	13,171	$43,263		916	20,739				1,888,522
Due to students.							6,375			6,375
General obligation bonds payable									70,000	70,000
Energy conservation note payable									37,648	37,648
Total liabilities.	2,140,602	21,972	43,263	1,980	18,474	58,404	28,825		302,533	2,616,053
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								$4,430,854		4,430,854
Contributed capital					1,500					1,500
Retained earnings: unreserved					43,733	128,190				171,923
Fund balances:										
Reserved for encumbrances. . . .	21,741	4,652		2,733						29,126
Reserved for prepayments.	15,590	3,158								18,748
Reserved for materials and supplies inventory	26,236									26,236
Reserved for debt service			40,671							40,671
Reserved for tax revenue unavailable for appropriation.	77,785		1,862							79,647
Reserved for principal endowment . . .							37,307			37,307
Reserved for BWC refunds	19,060									19,060
Unreserved-undesignated (deficit) .	1,084,482	66,127		23,066			5,808			1,179,483
Total equity and other credits	1,244,894	73,937	42,533	25,799	45,233	128,190	43,115	4,430,854		6,034,555
Total liabilities, equity and other credit	$3,385,496	$95,909	$85,796	$27,779	$63,707	$186,594	$71,940	$4,430,854	$302,533	$8,650,608

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

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

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues:						
From local sources:						
Taxes	$1,702,453		$61,585			$1,764,038
Tuition	19,743					19,743
Earnings on investments	109,313	$1,340		$784	$211	111,648
Extracurricular		111,342			1,107	112,449
Other local revenues	17,587	2,978			2,588	23,153
Other revenue		5,150				5,150
Intergovernmental - State	2,171,822	77,466	5,500	25,500		2,280,288
Intergovernmental - Federal	2,498	80,555				83,053
Total revenue	4,023,416	278,831	67,085	26,284	3,906	4,399,522
Expenditures:						
Current:						
Instruction:						
Regular	1,479,361	46,640		53,454		1,579,455
Special	298,467	40,808			1,201	340,476
Vocational	83,074					83,074
Other	100,410	5,000				105,410
Support services:						
Pupil	110,546	8,479				119,025
Instructional staff	174,937	96,925		18,296	836	290,994
Board of education	10,749					10,749
Administration	514,764	25,775				540,539
Fiscal	154,711		904			155,615
Operations and maintenance	389,947					389,947
Pupil transportation	296,683					296,683
Central	9,166	7,840				17,006
Community services	3,581	670				4,251
Extracurricular activities	123,483	93,750				217,233
Debt service:						
Principal retirement			75,379			75,379
Interest and fiscal charges			7,715			7,715
Total expenditures	3,749,879	325,887	83,998	71,750	2,037	4,233,551
Excess (deficiency) of revenues **over (under) expenditures**	273,537	(47,056)	(16,913)	(45,466)	1,869	165,971
Other financing sources:						
Proceeds from sale of fixed assets	1,500					1,500
Total other financing sources	1,500					1,500
Excess (deficiency) of revenues and other financing sources over (under) **expenditures**	275,037	(47,056)	(16,913)	(45,466)	1,869	167,471
Fund balances, July 1	968,777	120,993	59,446	71,265	3,939	1,224,420
Increase in reserve for inventory	1,080					1,080
Fund balances, June 30	$1,244,894	$73,937	$42,533	$25,799	$5,808	$1,392,971

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

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

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	$1,825,000	$1,678,153	($146,847)				$58,800	$61,185	$2,385				$1,883,800	$1,739,338	($144,462)
Tuition	30,000	23,443	(6,557)										30,000	23,443	(6,557)
Earnings on investments	80,000	109,239	29,239	$1,144	$1,340	$196				$962	$784	($178)	82,106	111,363	29,267
Extracurricular				92,944	108,839	15,895							92,944	108,839	15,895
Other local revenues	25,750	7,065	(18,685)	2,543	2,978	435							28,293	10,043	(18,250)
Other revenue				4,398	5,160	762							4,398	5,160	762
Intergovernmental - State	1,833,750	2,174,222	340,472	66,151	77,465	11,314	5,000	5,500	500	31,288	25,500	(5,788)	1,936,189	2,282,687	346,498
Intergovernmental - Federal	1,000	2,498	1,498	68,790	80,555	11,765							69,790	83,053	13,263
Total revenues	3,795,500	3,994,620	199,120	235,970	276,327	40,357	63,800	66,685	2,885	32,250	26,284	(5,966)	4,127,520	4,363,916	236,396
Expenditures:															
Current:															
Instruction:															
Regular	1,547,097	1,471,948	75,149	84,436	42,575	41,861				65,943	56,187	9,756	1,697,476	1,570,710	126,766
Special	293,565	295,489	(1,924)	41,242	40,796	446							334,807	336,285	(1,478)
Vocational	104,446	87,868	16,578										104,446	87,868	16,578
Other	116,250	100,403	15,847	5,000	5,000	0							121,250	105,403	15,847
Support services:															
Pupil	131,646	109,992	21,654	16,224	8,341	7,883							147,870	118,333	29,537
Instructional staff	210,250	186,123	24,127	72,494	108,321	(35,827)				17,545	18,295	(750)	300,289	312,739	(12,450)
Board of Education	13,365	10,804	2,561										13,365	10,804	2,561
Administration	524,204	528,984	(4,780)	26,817	26,229	588							551,021	555,213	(4,192)
Fiscal	150,966	153,876	(2,910)				1,000	904	96				151,966	154,780	(2,814)
Operations and maintenance	437,501	394,079	43,422										437,501	394,079	43,422
Pupil transportation	316,690	299,225	17,365										316,690	299,225	17,365
Central	15,850	9,163	6,687	14,567	11,114	3,453				14,000	0	14,000	44,417	20,277	24,140
Community services	6,500	4,081	2,419	1,340	1,340	0							7,840	5,421	2,419
Extracurricular activities	138,377	126,101	12,276	94,072	91,921	2,151							232,449	218,022	14,427
Debt service:															
Principal retirement							75,379	75,379	0				75,379	75,379	0
Interest and fiscal charges							8,764	7,715	1,049				8,764	7,715	1,049
Total expenditures	4,006,607	3,778,136	228,471	356,192	335,637	20,555	85,143	83,998	1,145	97,488	74,482	23,006	4,545,430	4,272,253	273,177
Excess (deficiency) of revenues over (under) expenditures	(211,107)	216,484	427,591	(120,222)	(59,310)	60,912	(21,343)	(17,313)	4,030	(65,238)	(48,198)	17,040	(417,910)	91,663	509,573
Other financing sources (uses):															
Refund of prior year's expenditures	0	9,346	9,346	0	472	472							0	9,818	9,818
Advances out	(20,000)	(22,450)	(2,450)										(20,000)	(22,450)	(2,450)
Operating transfers out	(3,000)	0	3,000										(3,000)	0	3,000
Proceeds of sale of fixed assets	4,500	1,500	(3,000)										4,500	1,500	(3,000)
Total other financing sources (uses)	(18,500)	(11,604)	6,896	0	472	472							(18,500)	(11,132)	7,368
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (use	(229,607)	204,880	434,487	(120,222)	(58,838)	61,384	(21,343)	(17,313)	4,030	(65,238)	(48,198)	17,040	(436,410)	80,531	516,941
Fund balances, July 1	1,071,772	1,071,772	0	108,951	108,951	0	57,919	57,919	0	71,268	71,268	0	1,309,910	1,309,910	0
Prior year encumbrances appropriated	116,206	116,206	0	26,113	26,113	0	0	0	0	0	0	0	142,319	142,319	0
Fund balances, June 30	$958,371	$1,392,858	$434,487	$14,842	$76,226	$61,384	$36,576	$40,606	$4,030	$6,030	$23,070	$17,040	$1,015,819	$1,532,760	$516,941

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:				
Tuition and fees	$15,306			$15,306
Sales/charges for services	129,574	$262,934		392,508
Investment earnings			$2,122	2,122
Total operating revenues	144,880	262,934	2,122	409,936
Operating expenses:				
Personal services	82,089			82,089
Contract services	2,896	93,920		96,816
Materials and supplies	83,601	2,548		86,149
Depreciation	2,751			2,751
Claims expense		175,389		175,389
Other operating expenses	180	7,300	1,501	8,981
Total operating expenses	171,517	279,157	1,501	452,175
Operating income (loss)	(26,637)	(16,223)	621	(42,239)
Nonoperating revenues:				
Operating grants	19,904			19,904
Federal commodities	8,683			8,683
Interest revenue	1,751			1,751
Other nonoperating revenues		1,083		1,083
Total nonoperating revenues	30,338	1,083		31,421
Net income (loss)	3,701	(15,140)	621	(10,818)
Retained earnings/fund balance, July 1	40,032	143,330	36,686	220,048
Retained earnings/fund balance, June 30	**$43,733**	**$128,190**	**$37,307**	**$209,230**

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:				
Cash received from tuition and fees/other	$15,160			$15,160
Cash received from sales/service charges	129,574	$266,684		396,258
Cash payments for personal services	(79,280)			(79,280)
Cash payments for contract services	(2,939)	(93,920)		(96,859)
Cash payments for materials and supplies	(74,747)	(2,548)		(77,295)
Cash payments for claims expenses		(197,629)		(197,629)
Cash payments for other expenses	(180)	(7,300)	($1,501)	(8,981)
Net cash used in operating activities	(12,412)	(34,713)	(1,501)	(48,626)
Cash flows from noncapital financing activities:				
Cash received from operating grants	20,927			20,927
Cash received from other noncapital financing activities		1,083		1,083
Net cash provided by noncapital financing activities	20,927	1,083		22,010
Cash flows from capital and related financing activities:				
Aquisition of capital assets	(1,949)			(1,949)
Net cash used in capital and related financing activities	(1,949)			(1,949)
Cash flows from investing activities:				
Interest received	1,751		2,122	3,873
Net cash provided by investing activities	1,751		2,122	3,873
Net increase (decrease) in cash and cash equivalents	8,317	(33,630)	621	(24,692)
Cash and cash equivalents at beginning of year	36,308	220,224	36,686	293,218
Cash and cash equivalents at end of year	$44,625	$186,594	$37,307	$268,526
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	($26,637)	($16,223)	$621	($42,239)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation	2,751			2,751
Federal donated commodities	8,683			8,683
Interest reported as operating income			(2,122)	(2,122)
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	656			656
Increase in accounts receivable	(146)			(146)
Increase in prepayments	(43)			(43)
Decrease in accounts payable	(317)			(317)
Decrease in accrued wages and benefits	(1,470)			(1,470)
Increase in compensated absences payable	3,498			3,498
Increase in pension obligation payable	781			781
Decrease in claims payable		(22,240)		(22,240)
Increase (decrease) in deferred revenue	(168)	3,750		3,582
Net cash used in operating activities	($12,412)	($34,713)	($1,501)	($48,626)

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

June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Lucas Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District ranks as the 586th largest by total enrollment among the 682 public and community school districts in the State. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's 4 instructional/support facilities staffed by 35 classified and 47 certificated full-time teaching personnel who provide services to 625 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

JOINTLY GOVERNED ORGANIZATION

Heartland Council of Governments (the COG)
The COG (fka North Central Ohio Computer Cooperative) is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

PUBLIC ENTITY RISK POOL

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

June 30, 2001

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

The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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: overnmental, 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 or the nonexpendable trust fund) are accounted for through governmental funds. The following are the District's governmental fund types:

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

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.

June 30, 2001

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term 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 of construction of major capital facilities (other than those financed by proprietary funds or the nonexpendable trust fund).

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 (a) that are 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.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a nonexpendable trust fund, an expendable trust fund and an agency fund. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items, which, in other fund types, would be subject to accrual. See Note 3 for an analysis of the agency fund accruals, which, in other fund types, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

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

<u>*General Long-Term Obligations Account Group*</u> - 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 or the nonexpendable trust fund.

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.

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

All proprietary funds and the nonexpendable trust fund 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 funds and the expendable trust fund. 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 taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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.

June 30, 2001

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 exception: general long-term obligation principal and interest are reported only when due; and 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.

The proprietary funds and nonexpendable trust fund 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 in the operating statement as an expense and a like amount is reported as donated commodities revenue.

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 District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2001 is as follows:

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

2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.

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

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 Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

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 and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

6. 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 the year within the amount of their legally authorized cash basis appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001.

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

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

   Encumbrance accounting is utilized with District funds 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 commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the 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 16 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 13 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

E. Cash and Investments

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

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit, a repurchase agreement and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are stated at fair market value, which is based upon quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

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

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

Under existing Ohio Statutes all investment earnings are assigned to the general fund, unless statutorily required to be credited to specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the District Managed Activities special revenue fund, the expendable trust fund, the nonexpendable trust fund, the Food Service enterprise fund, and the Permanent Improvement capital projects fund. During fiscal 2001, interest revenue credited to the general fund amounted to $109,313, which includes $28,529 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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 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 indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

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

G. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost or estimated historical cost. 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 $500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets 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:

Asset	Life (years)
Furniture, fixtures and equipment	5 - 20

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

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

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
Education Management Information Systems
Title VI-B
Local Professional Development
Title I
Title VI
SchoolNet Professional Development
Ohio Reads
Summer Intervention
Safe Schools Hellene
Title VI-Class Size Reduction
Martha Holden Jennings Grant
Network Connectivity
Extended Learning Opportunity
Drug Free Grant

Capital Projects Funds
Ohio SchoolNet Praise Grant

Proprietary Funds
Food Distribution Program

Reimbursable Grants

General Fund
Driver Education Reimbursement
School Bus Purchase Reimbursement
Vocational Education Travel/Salary

Proprietary Funds
National School Lunch Program
Government Donated Commodities

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

Grants and entitlements amounted to approximately 49% of the District's operating revenue during the 2001 fiscal year.

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 and all employees with at least 20 years of service regardless of their 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.

J. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

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

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, materials and supplies inventory, debt service, tax revenue unavailable for appropriation, principal endowment, and Bureau of Workers Compensation (BWC) refunds. Although, the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. The District made no operating transfers in fiscal year 2001.

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

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2001.

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

N. Estimates

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

O. Restricted Assets

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

P. Prepayments

Prepayments for governmental funds represent cash disbursements, which have occurred and are, therefore, not 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 year-end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

June 30, 2001

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

Q. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

	Deficit Balance
Special Revenue Funds	
Title I	$ 100
Local Professional Development	2
Title VI	4
Miscellaneous State Grants	2,921

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances – (Continued)

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

The deficit fund balances in these special revenue funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

C. Agency Fund

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

ASSETS	
Accounts receivable	$20,659
LIABILITIES	
Accounts payable	183
Pension obligation payable	44

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

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;

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

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was $1,365,230 and the bank balance, including non-negotiable certificates of deposit, was $1,452,571. The entire bank balance was covered by federal depository insurance.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states.

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

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	$127,411	$127,411	$127,411
Investment in STAR Ohio		379,460	379,460
Total investments		$506,871	$506,871

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

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

June 30, 2001

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	$1,872,101	$ ---
Investments of the cash management pool:		
Investment in STAR Ohio	(379,460)	379,460
Repurchase agreement	(127,411)	127,411
GASB Statement No. 3	$1,365,230	$506,871

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's interfund loans receivable and payable at June 30, 2001:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	$22,450	$ ---
Agency Fund		
Student Managed Activity	---	22,450
Total	$22,450	$22,450

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.

June 30, 2001

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 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was $54,451,380. Agricultural/residential and public utility/minerals real estate represented 73.02% or $39,760,000 of this total; commercial & industrial real estate represented 2.14% or $1,165,170 of this total, public utility tangible represented 23.47% or $12,780,150 of this total and general tangible property represented 1.37% or $746,060 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was $42.70 per $1,000.00 of assessed valuation for operations and $1.70 per $1,000.00 of assessed valuation for debt retirement.

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

The District receives property taxes from Richland and Ashland Counties. The respective County Treasurers collect property taxes on behalf of the District. The respective County Auditors periodically remit to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance, and recorded as revenue, at June 30, 2001, was $77,785 in the general fund and $1,862 in the debt service fund.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for 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.

June 30, 2001

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (billings for user charged services), interfund loans, accrued interest and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	$1,887,114
Accounts	7,772
Accrued interest	8,737
Interfund loan	22,450
Special Revenue Funds	
Due from other governments	9,319
Debt Service Fund	
Taxes - current and delinquent	45,190
Enterprise Funds	
Due from other governments	2,611

NOTE 8 - FIXED ASSETS

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

	Balance July 1, 2000	Increase	Decrease	Balance June 30, 2001
Land/Improvements	$ 48,875	$ ---	$ ---	$ 48,875
Buildings/improvements	3,018,889	---	---	3,018,889
Furniture/equipment	701,861	112,681	(24,530)	790,012
Vehicles	518,143	54,935	---	573,078
Total	$4,287,768	$167,616	$(24,530)	$4,430,854

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

June 30, 2001

NOTE 8 - FIXED ASSETS – (Continued)

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

Furniture and equipment	$ 82,104
Less: accumulated depreciation	(68,050)
Net fixed assets	$ 14,054

NOTE 9 - CONTRIBUTED CAPITAL

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

	Food Service
Contributed capital, July 1, 2000	$1,500
Current contributions	- - -
Contributed capital, June 30, 2001	$1,500

NOTE 10 - LONG-TERM OBLIGATIONS

The District has two long-term debt issues outstanding at June 30, 2001. These debt issues represent a general obligation bond and an energy conservation note.

During fiscal year 1998, the District issued a $53,785 energy conservation note to provide for energy improvements to various District buildings. The primary source of repayment of this note is through energy savings as a result of the improvements. This note bears an interest rate of 4.75% and matures on September 1, 2007.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group.

June 30, 2001

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

A. The following is a description of the District's general obligation bond and energy conservation note outstanding as of June 30, 2001:

	Interest Rate	Maturity Date	Outstanding July 1, 2000	Retired in 2001	Outstanding June 30, 2001
General obligation bond payable	5.50%	12/01/01	$140,000	$(70,000)	$ 70,000
Energy conservation note payable	4.75%	09/01/07	43,027	(5,379)	37,648
			$183,027	$(75,379)	$107,648

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

Fiscal Year Ending	Principal on Bond/Note	Interest on Bond/Note	Total
2002	$ 75,379	$3,610	$ 78,989
2003	5,379	1,426	6,805
2004	5,379	1,167	6,546
2005	5,379	908	6,287
2006	5,379	649	6,028
2007 - 2008	10,753	520	11,273
Total	$107,648	$8,280	$115,928

June 30, 2001

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and pension obligations will be paid from the fund in which the employee is paid.

	Balance July 1, 2000	Increase	Decrease	Balance June 30,2001
Compensated absences	$154,210	$22,868	$ (30,116)	$146,962
Pension obligation payable	43,138	47,923	(43,138)	47,923
General obligation bond	140,000	---	(70,000)	70,000
Energy conservation note	43,027	---	(5,379)	37,648
Total	$380,375	$70,791	$(148,633)	$302,533

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 effects of these debt limitations at June 30, 2001 are a voted debt margin of $4,873,157 (including available funds of $42,533) and an unvoted debt margin of $54,451.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 5 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 15 to 20 days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent who can carry over up to 10 days at the end of his contract, and the Treasurer who can carry over up to 5 days at the end of her contract. Teachers do not earn vacation time.

NOTE 11 - COMPENSATED ABSENCES – (Continued)

Administrators, teachers, and classified employees earn sick leave at a rate of 1 and 1/4 days per month. Sick leave may be accumulated up to 220 days. Upon retirement, payment is made to employees with 10 or more years of service at the District for 25% of the total sick leave accumulation with a maximum of 40 days payment.

During fiscal year 1999, the District adopted a one-time exit bonus for all part-time employees with a minimum of 10 consecutive years of experience with the District. Part-time employees who elect this exit bonus must retire with the STRS or SERS. This exit bonus applies only to part-time employees who have not previously retired from STRS or SERS. Upon retirement, the exit bonus will be calculated on a formula of 25% of the first 120 days of accrued sick leave. The exit bonus is calculated using the scheduled daily rate of pay at the time of retirement. For those part-time who have accrued sick leave beyond 120 days, the following additional formula will apply:

Accumulated sick leave	Exit bonus shall be increased by:	Total exit bonus days
130 - 139 days	1 additional day	31
140 - 149 days	2 additional days	32
150 - 150 days	3 additional days	33
160 - 169 days	4 additional days	34
170 - 179 days	5 additional days	35
180 - 189 days	6 additional days	36
190 - 199 days	7 additional days	37
200 - 209 days	8 additional days	38
210 - 219 days	9 additional days	39
> = 220 days	10 additional days	40

The maximum exit bonus days that any employee can earn is forty.

NOTE 12 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District retained property insurance coverage in the blanket amount of $13,716,524 with 90% coinsurance, replacement cost endorsement and a $1,000 deductible. Boiler and machinery coverage is also included in with the blanket coverage in the amount of $5,757,190 with a $1,000 deductible. The District also has inland marine floaters in the amount of $1,050,000 with a $250 deductible for coverage of audio visual equipment, two-way radios, tractors, musical instruments and uniforms.

Vehicles are covered by a policy through Nationwide/Wausau Insurance Companies, which provides for a $50 deductible for comprehensive and a $250 deductible for collision. Vehicle liability has a $2,000,000 combined single limit of liability.

Nationwide/Wausau Insurance Companies also provide general liability coverage with a $2,000,000 single occurrence limit and an aggregate of $5,000,000 with no deductible.

B. Employee Dishonesty Bonds

The District carries employee dishonesty bonds for the Treasurer, Superintendent, and Board President in the amount of $20,000. Also, an employee blanket dishonesty bond in the amount of $5,000 is provided to cover all other employees of the District.

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three-member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - RISK MANAGEMENT - (Continued)

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 worker's 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 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.

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

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees through Anthem Benefit Administrators Inc. in the following amounts: full-time employees $25,000, administrators $50,000, and part-time grandfathered employees $10,000.

The District has elected to provide a comprehensive medical benefits package to the employees through a self-insured program. The District maintains a self-insured internal service fund to account for the finances of its uninsured risks of loss in this program. This package provides a comprehensive medical plan with a $275 single and $375 family deductible ($100 single and $200 family deductibles for administrators). A third party administrator, Anthem Benefits Administrators Inc., located in Columbus, Ohio, reviews all claims for the medical plan which are then paid by the District. The District purchases stop-loss coverage of $20,000 per individual and an aggregate limit of $360,276 from Cox Insurance Group. The total monthly premium paid into the internal service fund for the medical plan is $184 for single coverage and $456 for family coverage which is paid out of the same fund that pays the salary for the employee. The District's amounts are capped by negotiated union contracts and cannot be increased, except throughout negotiations. The employee monthly portion of the premium is $18 for single coverage and $46 for family coverage which is withheld from their biweekly payroll. The employees are responsible for payment of all claim amounts in excess of the employer capped amounts.

June 30, 2001

NOTE 12 - RISK MANAGEMENT - (Continued)

The District provides dental coverage for its employees on a self-insured basis through Anthem Benefits Administrators Inc. The total monthly premium is $28 for single and family coverage. This premium is paid by the District. Like the medical premium, this amount is also capped by negotiated union contracts and cannot be raised, except through negotiated agreement. The employees are responsible for payment of all claim amounts in excess of the employer capped amounts.

The above employee portions of premiums for medical and dental insurance are for full-time employees. Grandfathered part-time employees also have medical and dental insurance benefits.

The claims liability of $37,665 reported in the fund at June 30, 2001, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Beginning of Year	Claims	Payments	End of Year
2001	$59,905	$175,389	$(197,629)	$37,665
2000	89,014	123,381	(152,490)	59,905

June 30, 2001

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies and farm operations. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	Food Service	Uniform School Supplies	Rotary Farm	Total
Operating revenue	$129,574	$15,306	$ ---	$144,880
Operating expenses before depreciation	155,638	13,128	---	168,766
Depreciation	2,751	---	---	2,751
Operating income (loss)	(28,815)	2,178	---	(26,637)
Operating grants	19,904	---	---	19,904
Net income	1,523	2,178	---	3,701
Fixed asset additions	1,949	---	---	1,949
Net working capital	14,752	13,592	2,835	31,179
Total assets	47,280	13,592	2,835	63,707
Total liabilities	18,474	---	---	18,474
Contributed capital	1,500	---	---	1,500
Total equity	28,806	13,592	2,835	45,233
Encumbrances at 06/30/01	---	328	---	328

June 30, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were $93,301, $86,340, and $80,370, respectively; 39.58% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. $56,376, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers' Retirement System

The District contributes to the State Teachers' Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers' Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers' Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

June 30, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 14% of their annual covered salary and the District is required to contribute 14%; 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 percent for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were $245,765, $235,153, and $224,723, respectively; 83.46% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. $40,644, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the STRS/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% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $82,337 during fiscal 2001.

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

June 30, 2001

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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% of the premium.

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

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were $140.7 million and the target level was $211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of $252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $78,996 during the 2001 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

June 30, 2001

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(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).

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

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
Budget basis	$204,880	$(58,838)	$(17,313)	$(48,198)
Net adjustment for revenue accruals	28,796	2,504	400	- - -
Net adjustment for expenditure accruals	3,518	2,823	- - -	(1,977)
Net adjustment for other financing sources (uses)	13,104	(472)	- - -	- - -
Encumbrances (budget basis)	24,739	6,927	- - -	4,709
GAAP basis	$275,037	$(47,056)	$(16,913)	$(45,466)

June 30, 2001

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. State School Funding Decision

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

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

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

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

June 30, 2001

NOTE 17 – CONTINGENCIES (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 31, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

NOTE 18 - GROUP PURCHASING POOL

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program; custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases.

June 30, 2001

NOTE 19 - STATUTORY RESERVES

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of June 30, 2000	$ 839	$ 0	$ 54,547
Current year set-aside requirement	87,445	87,445	- - -
Elimination of budget stabilization reserve	- - -	- - -	(54,547)
Current year offsets	- - -	- - -	- - -
Qualifying disbursements	(112,372)	(136,120)	- - -
Total	$ (24,088)	$ (48,675)	$ 0
Cash balance carried forward to FY 2002	$ 0	$ 0	$ 0

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

June 30, 2001

NOTE 19 - STATUTORY RESERVES (Continued)

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

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

Amount restricted for BWC refunds	$19,060
Total restricted assets	$19,060

Independent Auditors' 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

To the Board of Education
Lucas Local School District
Lucas, Ohio 44843

We have audited the general purpose financial statements of the Lucas Local School District (the District), as of and for the year ended June 30, 2001 and have issued our report thereon dated November 21, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lucas 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal 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 certain matters involving the internal control over financial reporting that we have reported to management of the District, in a separate letter dated November 21, 2001.

This report is intended for the information of the Board of Education, management, federal awarding agencies and pass-through entities and the Auditor of State. However, this report is a matter of public record, and its distribution is not limited.

Moore Stephens Apple

Akron, Ohio
November 21, 2001

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JIM PETRO, AUDITOR OF STATE

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LUCAS LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 22, 2002