



**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Stow-Munroe Falls City School District
Summit County
4350 Allen Road
Stow, Ohio 44224

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Stow-Munroe Falls City School District, Summit County, (the District) as of and for the year ended June 30, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

March 13, 2002

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Stow-Munroe Falls City School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$5,781,431	\$576,382	\$612,121	\$549,469
Receivables:				
Taxes	23,247,737	0	1,339,298	0
Accounts	25,753	336	0	0
Intergovernmental	992	0	0	0
Interfund	16,673	320	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	13,468	0	0	0
Prepaid Items	11,273	0	0	0
Restricted Assets:				
Equity in Pooled Cash and				
Cash Equivalents	601,759	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
 <i>Other Debits</i>				
Amount Available in Debt Service				
Fund for Retirement of General				
Long-Term Obligations	0	0	0	0
Amount to be Provided from				
General Government Resources	0	0	0	0
 <i>Total Assets and Other Debits</i>	\$29,699,086	\$577,038	\$1,951,419	\$549,469

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$102,844	\$143,973	\$0	\$0	\$7,766,220
0	0	0	0	24,587,035
214	0	0	0	26,303
22,194	0	0	0	23,186
0	0	0	0	16,993
45,171	0	0	0	45,171
0	0	0	0	13,468
0	0	0	0	11,273
0	0	0	0	601,759
199,546	0	41,452,989	0	41,652,535
0	0	0	612,119	612,119
0	0	0	9,183,737	9,183,737
<u>\$369,969</u>	<u>\$143,973</u>	<u>\$41,452,989</u>	<u>\$9,795,856</u>	<u>\$84,539,799</u>

(continued)

Stow-Munroe Falls City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$557,021	\$19,870	\$0	\$3,410
Accrued Wages	3,409,488	50,446	0	0
Compensated Absences Payable	271,598	1,209	0	0
Interfund Payable	320	14,766	0	0
Intergovernmental Payable	893,228	17,942	0	4
Deferred Revenue	22,466,052	0	1,314,880	0
Due to Students	0	0	0	0
Capital Lease Payable	0	0	0	0
Energy Conservation Note Payable	2,073,000	0	0	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>29,670,707</u>	<u>104,233</u>	<u>1,314,880</u>	<u>3,414</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	435,693	140,851	0	225,634
Reserved for Inventory	13,468	0	0	0
Reserved for Property Taxes	311,685	0	24,418	0
Reserved for Budget Stabilization	195,574	0	0	0
Reserved for Textbooks	406,185	0	0	0
Unreserved, Undesignated (Deficit)	(1,334,226)	331,954	612,121	320,421
<i>Total Fund Equity and Other Credits</i>	<u>28,379</u>	<u>472,805</u>	<u>636,539</u>	<u>546,055</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u><u>\$29,699,086</u></u>	<u><u>\$577,038</u></u>	<u><u>\$1,951,419</u></u>	<u><u>\$549,469</u></u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$26,043	\$0	\$0	\$0	\$606,344
55,746	0	0	0	3,515,680
42,309	0	0	2,573,273	2,888,389
0	1,906	0	0	16,992
21,709	0	0	335,960	1,268,843
20,337	0	0	0	23,801,269
0	142,067	0	0	142,067
0	0	0	96,623	96,623
0	0	0	0	2,073,000
0	0	0	6,790,000	6,790,000
<u>166,144</u>	<u>143,973</u>	<u>0</u>	<u>9,795,856</u>	<u>41,199,207</u>
0	0	41,452,989	0	41,452,989
249,894	0	0	0	249,894
(46,069)	0	0	0	(46,069)
0	0	0	0	802,178
0	0	0	0	13,468
0	0	0	0	336,103
0	0	0	0	195,574
0	0	0	0	406,185
0	0	0	0	(69,730)
<u>203,825</u>	<u>0</u>	<u>41,452,989</u>	<u>0</u>	<u>43,340,592</u>
<u>\$369,969</u>	<u>\$143,973</u>	<u>\$41,452,989</u>	<u>\$9,795,856</u>	<u>\$84,539,799</u>

Stow-Munroe Falls City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001*

	General	Special Revenue
Revenues		
Taxes	\$23,233,845	\$0
Intergovernmental	16,167,225	1,268,620
Interest	613,098	9,059
Tuition and Fees	301,621	0
Extracurricular Activities	74,936	379,705
Contributions and Donations	100	53,755
Rentals	27,004	0
Miscellaneous	177,570	2,494
	<u>40,595,399</u>	<u>1,713,633</u>
<i>Total Revenues</i>		
Expenditures		
Current:		
Instruction:		
Regular	22,982,915	224,681
Special	2,439,172	210,802
Vocational	945,759	66,300
Adult Continuing	870	0
Support Services:		
Pupils	1,786,429	339,917
Instructional Staff	1,742,131	50,864
Board of Education	130,075	6,317
Administration	1,977,770	87,142
Fiscal	500,659	30,537
Business	444,877	0
Operation and Maintenance of Plant	3,548,895	10,448
Pupil Transportation	2,193,374	0
Central	320,299	17,211
Operation of Non-Instructional Services	0	373,632
Extracurricular Activities	583,247	270,272
Capital Outlay	1,710,693	0
Debt Service:		
Principal Retirement	674,409	0
Interest and Fiscal Charges	233,774	0
	<u>42,215,348</u>	<u>1,688,123</u>
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,619,949)</u>	<u>25,510</u>
Other Financing Sources (Uses)		
Operating Transfers In	0	37,256
Operating Transfers Out	(44,571)	(1,471)
	<u>(44,571)</u>	<u>35,785</u>
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,664,520)</u>	<u>61,295</u>
<i>Fund Balances Beginning of Year (Restated See Note 3)</i>	1,702,367	411,510
Decrease in Reserve for Inventory	(9,468)	0
<i>Fund Balances End of Year</i>	<u>\$28,379</u>	<u>\$472,805</u>

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Totals (Memorandum Only)
\$710,065	\$0	\$23,943,910
153,195	249,047	17,838,087
0	60,650	682,807
0	0	301,621
0	0	454,641
0	0	53,855
0	77,484	104,488
0	0	180,064
863,260	387,181	43,559,473
0	0	23,207,596
0	0	2,649,974
0	0	1,012,059
0	0	870
0	0	2,126,346
0	0	1,792,995
0	0	136,392
0	0	2,064,912
17,666	0	548,862
0	0	444,877
0	0	3,559,343
0	0	2,193,374
0	0	337,510
0	0	373,632
0	0	853,519
0	640,860	2,351,553
436,000	0	1,110,409
420,433	0	654,207
874,099	640,860	45,418,430
(10,839)	(253,679)	(1,858,957)
0	6,000	43,256
0	0	(46,042)
0	6,000	(2,786)
(10,839)	(247,679)	(1,861,743)
647,378	793,734	3,554,989
0	0	(9,468)
\$636,539	\$546,055	\$1,683,778

Stow-Munroe Falls City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$22,253,743	\$22,253,743	\$0
Intergovernmental	14,703,477	16,172,695	1,469,218
Interest	617,289	617,289	0
Tuition and Fees	314,761	314,986	225
Extracurricular Activities	74,936	74,936	0
Contributions and Donations	100	100	0
Rentals	30,152	30,152	0
Miscellaneous	159,648	159,683	35
<i>Total Revenues</i>	<u>38,154,106</u>	<u>39,623,584</u>	<u>1,469,478</u>
Expenditures			
Current:			
Instruction:			
Regular	25,130,357	23,137,889	1,992,468
Special	2,367,268	2,359,530	7,738
Vocational	935,577	928,104	7,473
Adult/Continuing	870	870	0
Support Services:			
Pupils	1,712,302	1,706,989	5,313
Instructional Staff	1,661,792	1,637,997	23,795
Board of Education	155,074	137,754	17,320
Administration	1,955,161	1,929,801	25,360
Fiscal	716,033	703,098	12,935
Business	461,088	459,784	1,304
Operation and Maintenance of Plant	3,866,521	3,612,747	253,774
Pupil Transportation	2,436,702	2,121,677	315,025
Central	333,553	327,120	6,433
Operation of Non-Instructional Services	567,202	567,202	0
Extracurricular Activities	2,332,074	1,938,968	393,106
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	489,000	489,000	0
Interest and Fiscal Charges	116,390	116,390	0
<i>Total Expenditures</i>	<u>45,236,964</u>	<u>42,174,920</u>	<u>3,062,044</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(7,082,858)</u>	<u>(2,551,336)</u>	<u>4,531,522</u>
Other Financing Sources (Uses)			
Proceeds From Sale of Notes	0	0	0
Advances In	36,509	36,509	0
Operating Transfers In	0	0	0
Advances Out	(16,177)	(16,177)	0
Operating Transfers Out	(44,571)	(44,571)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(24,239)</u>	<u>(24,239)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(7,107,097)</u>	<u>(2,575,575)</u>	<u>4,531,522</u>
<i>Fund Balances Beginning of Year</i>	6,487,989	6,487,989	0
Prior Year Encumbrances Appropriated	1,500,807	1,500,807	0
<i>Fund Balances End of Year</i>	<u>\$881,699</u>	<u>\$5,413,221</u>	<u>\$4,531,522</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,240,291	\$1,240,291	\$0
1,294,337	1,339,917	45,580	153,195	153,195	0
9,059	9,059	0	0	0	0
0	0	0	0	0	0
352,895	379,371	26,476	0	0	0
53,756	53,756	0	0	0	0
0	0	0	0	0	0
2,494	2,494	0	0	0	0
<u>1,712,541</u>	<u>1,784,597</u>	<u>72,056</u>	<u>1,393,486</u>	<u>1,393,486</u>	<u>0</u>
278,020	227,365	50,655	0	0	0
212,231	211,478	753	0	0	0
111,165	84,983	26,182	0	0	0
0	0	0	0	0	0
359,657	311,991	47,666	0	0	0
70,642	66,123	4,519	0	0	0
11,367	6,317	5,050	0	0	0
92,180	85,738	6,442	0	0	0
30,537	30,537	0	534,177	17,666	516,511
0	0	0	0	0	0
12,297	10,448	1,849	0	0	0
0	0	0	0	0	0
17,211	17,211	0	0	0	0
493,936	494,703	(767)	0	0	0
303,840	286,823	17,017	0	0	0
0	0	0	0	0	0
0	0	0	2,948,000	2,948,000	0
0	0	0	517,823	517,823	0
<u>1,993,083</u>	<u>1,833,717</u>	<u>159,366</u>	<u>4,000,000</u>	<u>3,483,489</u>	<u>516,511</u>
<u>(280,542)</u>	<u>(49,120)</u>	<u>231,422</u>	<u>(2,606,514)</u>	<u>(2,090,003)</u>	<u>516,511</u>
0	0	0	2,073,000	2,073,000	0
14,271	14,271	0	0	0	0
21,693	37,256	15,563	0	0	0
(36,509)	(36,509)	0	0	0	0
(1,471)	(1,471)	0	0	0	0
<u>(2,016)</u>	<u>13,547</u>	<u>15,563</u>	<u>2,073,000</u>	<u>2,073,000</u>	<u>0</u>
(282,558)	(35,573)	246,985	(533,514)	(17,003)	516,511
357,362	357,362	0	629,124	629,124	0
96,643	96,643	0	0	0	0
<u>\$171,447</u>	<u>\$418,432</u>	<u>\$246,985</u>	<u>\$95,610</u>	<u>\$612,121</u>	<u>\$516,511</u>

(continued)

Stow-Munroe Falls City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2001*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$0	\$0	\$0
Intergovernmental	249,047	249,047	0
Interest	53,094	60,650	7,556
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	77,484	77,484	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>379,625</u>	<u>387,181</u>	<u>7,556</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	411,100	402,056	9,044
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	1,400	1,400	0
Pupil Transportation	0	0	0
Central	54,000	54,000	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	608,600	409,050	199,550
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>1,075,100</u>	<u>866,506</u>	<u>208,594</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(695,475)</u>	<u>(479,325)</u>	<u>216,150</u>
Other Financing Sources (Uses)			
Proceeds From Sale of Notes	0	0	0
Advances In	0	0	0
Operating Transfers In	6,000	6,000	0
Advances Out	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>6,000</u>	<u>6,000</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(689,475)</u>	<u>(473,325)</u>	<u>216,150</u>
<i>Fund Balances Beginning of Year</i>	748,564	748,564	0
Prior Year Encumbrances Appropriated	45,187	45,187	0
<i>Fund Balances End of Year</i>	<u>\$104,276</u>	<u>\$320,426</u>	<u>\$216,150</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$23,494,034	\$23,494,034	\$0
16,400,056	17,914,854	1,514,798
679,442	686,998	7,556
314,761	314,986	225
427,831	454,307	26,476
53,856	53,856	0
107,636	107,636	0
162,142	162,177	35
<u>41,639,758</u>	<u>43,188,848</u>	<u>1,549,090</u>
25,408,377	23,365,254	2,043,123
2,579,499	2,571,008	8,491
1,046,742	1,013,087	33,655
870	870	0
2,071,959	2,018,980	52,979
2,143,534	2,106,176	37,358
166,441	144,071	22,370
2,047,341	2,015,539	31,802
1,280,747	751,301	529,446
461,088	459,784	1,304
3,880,218	3,624,595	255,623
2,436,702	2,121,677	315,025
404,764	398,331	6,433
1,061,138	1,061,905	(767)
2,635,914	2,225,791	410,123
608,600	409,050	199,550
3,437,000	3,437,000	0
634,213	634,213	0
<u>52,305,147</u>	<u>48,358,632</u>	<u>3,946,515</u>
<u>(10,665,389)</u>	<u>(5,169,784)</u>	<u>5,495,605</u>
2,073,000	2,073,000	0
50,780	50,780	0
27,693	43,256	15,563
(52,686)	(52,686)	0
(46,042)	(46,042)	0
<u>2,052,745</u>	<u>2,068,308</u>	<u>15,563</u>
(8,612,644)	(3,101,476)	5,511,168
8,223,039	8,223,039	0
<u>1,642,637</u>	<u>1,642,637</u>	<u>0</u>
<u>\$1,253,032</u>	<u>\$6,764,200</u>	<u>\$5,511,168</u>

Stow-Munroe Falls City School District
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001*

	Enterprise
Operating Revenues	
Sales	\$1,090,606
 Operating Expenses	
Salaries and Wages	382,569
Fringe Benefits	172,640
Purchased Services	203,927
Materials and Supplies	77,676
Cost of Sales	527,511
Depreciation	1,855
Other	82,509
 <i>Total Operating Expenses</i>	 1,448,687
 <i>Operating Loss</i>	 (358,081)
 Non-Operating Revenues	
Donated Commodities	80,655
Interest	4,611
Federal and State Subsidies	152,917
 <i>Total Non-Operating Revenues</i>	 238,183
 <i>Loss Before Operating Transfers</i>	 (119,898)
 Operating Transfers In	 2,787
 <i>Net Loss</i>	 (117,111)
 <i>Retained Earnings Beginning of Year - Restated (See Note 3)</i>	 71,042
 <i>Retained Earnings (Deficit) End of Year</i>	 (46,069)
 <i>Contributed Capital Beginning and End of Year</i>	 249,894
 <i>Total Fund Equity End of Year</i>	 \$203,825

See accompanying notes to the general purpose financial statements

Stow-Munroe Falls City School District
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001*

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Sales	\$1,056,431	\$1,091,307	\$34,876
Operating Grants	153,296	153,296	0
Interest	4,611	4,611	0
<i>Total Revenues</i>	<u>1,214,338</u>	<u>1,249,214</u>	<u>34,876</u>
Expenses			
Salaries and Wages	349,270	349,270	0
Fringe Benefits	191,178	191,178	0
Purchased Services	216,654	216,654	0
Materials and Supplies	556,803	557,204	(401)
Other	84,350	83,403	947
<i>Total Expenses</i>	<u>1,398,255</u>	<u>1,397,709</u>	<u>546</u>
<i>Excess of Revenues Under Expenses</i>	(183,917)	(148,495)	35,422
Operating Transfers In	<u>2,787</u>	<u>2,787</u>	<u>0</u>
<i>Excess of Revenues and Operating Transfers In Under Expenses</i>	(181,130)	(145,708)	35,422
<i>Fund Equity Beginning of Year</i>	132,672	132,672	0
Prior Year Encumbrances Appropriated	<u>98,252</u>	<u>98,252</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$49,794</u></u>	<u><u>\$85,216</u></u>	<u><u>\$35,422</u></u>

See accompanying notes to the general purpose financial statements

Stow-Munroe Falls City School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$1,091,307
Cash Payments for Goods and Services	(757,269)
Cash Payments to Employees for Services	(349,270)
Cash Payments for Employee Benefits	(191,035)
Cash Payments for Other Operating Expenses	(82,509)
<i>Net Cash Used for Operating Activities</i>	<u>(288,776)</u>
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	153,296
Operating Transfers In	2,787
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>156,083</u>
Cash Flows from Investing Activities	
Interest	4,611
<i>Net Decrease in Cash and Cash Equivalents</i>	(128,082)
<i>Cash and Cash Equivalents Beginning of Year</i>	230,926
<i>Cash and Cash Equivalents End of Year</i>	<u>\$102,844</u>
	(continued)

Stow-Munroe Falls City School District

Combined Statement of Cash Flows

Proprietary Fund Type (continued)

For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<i>Reconciliation of</i>	
<i>Operating Loss to Net Cash</i>	
<i>Used for Operating Activities</i>	
<i>Operating Loss</i>	<u>(\$358,081)</u>
<i>Adjustments:</i>	
Depreciation	1,855
Donated Commodities Used During Year	80,655
Decrease in Assets:	
Accounts Receivable	699
Inventory Held for Resale	(2,417)
Increase/(Decrease) in Liabilities:	
Accounts Payable	(69,290)
Accrued Wages	54,489
Compensated Absences Payable	10,728
Intergovernmental Payable	<u>(7,414)</u>
<i>Total Adjustments</i>	<u>69,305</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$288,776)</u></u>

See accompanying notes to the general purpose financial statements

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Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

Note 1 - Description of the School District and Reporting Entity

Stow-Munroe Falls City School District (the "School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board of Education controls the School District's nine instructional/support facilities staffed by 273 classified and 442 certificated full time teaching personnel who provide services to 5,975 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District does not have any component units.

The following activities are included within the reporting entity.

Non-Public Schools - Within the School District boundaries are three non-public schools. Holy Family School is operated through the Cleveland Catholic Diocese. Cornerstone Community School is operated by the Cornerstone Community School Board of Trustees. Kids County Pre-School is operated by Kids County, Inc. Current State legislation provides funding to this non-public school. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund for financial reporting purposes.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

Cities of Stow and Munroe Falls - The city governments of Stow and Munroe Falls are a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

Parent Teacher Association - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

The School District participates in three jointly governed organizations, one related organization and a public entity risk pool. These organizations are presented in Note 18, 19, and 20 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations

North East Ohio Network for Educational Technology
Vocational Compact
Ohio Schools Council

Related Organization

Stow-Munroe Falls Public Library

Public Entity Risk Pool

Stark County Schools Council of Governments Health Benefits Program

Note 2 - Summary of Significant Accounting Policies

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

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group 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.

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

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

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

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

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

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

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

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

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

Fiduciary Fund Type Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

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

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

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

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

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

C. Budgetary Data

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund, function, object level for the general fund and at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Allocations of appropriations among functions within a fund may be made during the fiscal year by the Treasurer without Board approval.

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

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

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

Estimated Resources 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 School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. Except for the general fund, the allocation of appropriations among functions and objects within a fund are modified during the fiscal year by the Treasurer without Board approval. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

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

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

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School 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 repurchase agreements and non-negotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$613,098, which includes \$88,727 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Prepaid Items

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

F. Inventory

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

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization. See Note 22 for additional information regarding set-asides.

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. As of fiscal year 2001, the School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure.

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to fifteen years. Vehicles are depreciated using the straight-line method over a useful life of five years.

I. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivable/payables." During fiscal year 2001, there was an advance in to the agency funds. Since agency funds do not present budgetary statements, advances in and advances out do not balance on a budgetary basis.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

K. Accrued Liabilities and Long-Term Obligations

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

Bond anticipation notes that are paid and reissued prior to the issuance of the financial statements and have a maturity date more than 12 months subsequent to the end of the fiscal year are reported in the general long-term obligations account group.

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

L. Interfund Transactions

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

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

M. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. 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. There was no change in contributed capital during fiscal year 2001.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, property taxes, budget stabilization and textbooks.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

Note 3 - Changes In Accounting Principles and Restatement of Fund Balance

A. Changes in Accounting Principles

For fiscal year 2001, the School District has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues.” At June 30, 2000, there was no effect on fund balance as a result of these implementations.

B. Restatement of Fund Balances

During fiscal year 2001, the fund structure was reviewed and it was determined that part of the special trust agency fund should be classified as a special revenue fund. The energy conservation notes previously reported in the general long-term obligation account group have been reclassified to the general fund since this is the fund to receive the proceeds and make the payments. These reclassifications had the following effect on fund balances at June 30, 2000:

	General Fund	Special Revenue
Fund Balances, June 30, 2000	\$4,214,367	\$386,724
Reclassification of Notes Payable	2,512,000	0
Reclassification of Agency Fund	0	24,786
Restated Fund Balances, June 30, 2000	\$6,726,367	\$411,510

The undistributed monies for the Agency Funds as of June 30, 2000 decreased by \$24,786 from \$40,171 to \$15,385 due to the reclassification. The total liabilities for the general long-term obligation account group decreased by \$2,512,000 from \$13,778,095 to \$11,266,095 due to the reclassification.

These changes increased the excess of revenues and other financing sources over expenditures and other financing sources for special revenue funds by \$4,947 from \$29,117 to \$34,064 for the year ended June 30, 2000.

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

The school district reviewed the enterprise fund fixed assets and had to restate the beginning balance by \$189,830 to include fixed assets previously not reported. This increase the prior year beginning balance from \$9,715 to \$199,546 and increased beginning retained earnings from a deficit (\$118,788) to \$71,042.

Note 4 - Accountability and Compliance

A. Fund Deficit

The following funds had deficit fund balances/retained earnings at June 30, 2001:

	<u>Deficit Fund Balance/ Retained Earnings</u>
General Fund	\$228,366
Title I Special Revenue Fund	3,742
Food Service Enterprise Fund	34,348

The general fund deficit resulted from the requirement to report the energy conservation notes as a liability in the fund that received the proceeds.

The deficit in the Title I special revenue fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The food service enterprise fund concluded fiscal year 2001 with retained earnings of (\$34,348). Management is analyzing the food service operations to determine appropriate action to alleviate the deficit.

B. Legal Compliance

Contrary to Section 5704.41(D), Ohio Revised Code, the School District entered into commitments prior to certification by the Treasurer that the funds required to pay for the commitments were appropriated and in the School District's treasury or in the process of being collected and free from any previous encumbrances.

Note 5 - Budgetary Basis of Accounting

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

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash is not reported by the School District on the operating statements (budget basis), but is reported on the GAAP basis operating statements.

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$1,664,520)	\$61,295	(\$10,839)	(\$247,679)
Adjustments for Revenue Accruals	(436,258)	70,964	(6,164)	0
Cash Adjustments	833	0	0	0
Advances In	36,509	14,271	0	0
Adjustments for Expenditure Accruals	913,007	12,356	0	3,397
Advances Out	(16,177)	(36,509)	0	0
Proceeds of Notes	0	0	2,073,000	0
Revenue for Debt Payments	(536,390)	0	536,390	0
Debt Principal Retirement	0	0	(2,512,000)	0
Debt Interest and Fiscal Charges	97,390	0	(97,390)	0
Adjustment for Encumbrances	(969,969)	(157,950)	0	(229,043)
Budget Basis	<u>(\$2,575,575)</u>	<u>(\$35,573)</u>	<u>(\$17,003)</u>	<u>(\$473,325)</u>

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Net Loss/Excess of Revenues and Operating
Transfers Under Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$117,111)
Adjustments for Revenue Accruals	1,080
Adjustments for Expense Accruals	(13,904)
Depreciation Expense	1,855
Adjustment for Encumbrances	(17,628)
Budget Basis	(\$145,708)

Note 6 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association,

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Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
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 interests 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$7,602,979 and the bank balance was \$8,208,244. Of the bank balance:

1. \$108,244 of the bank balance was covered by federal depository insurance; and
2. \$8,100,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Stow-Munroe Falls City School District
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Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$765,000	\$765,000	\$765,000

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$8,367,979	\$0
Investments which are part of a cash management pool:		
Repurchase Agreement	(765,000)	765,000
GASB Statement No. 3	\$7,602,979	\$765,000

Note 7 - Property Taxes

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

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

Stow-Munroe Falls City School District
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2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

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

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

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$662,844,300	89.72 %	\$687,742,770	90.15 %
Public Utility Personal	17,087,380	2.31	15,293,920	2.00
Tangible Personal Property	58,904,694	7.97	59,849,612	7.85
Total	\$738,836,374	100.00 %	\$762,886,302	100.00 %

Tax rate per \$1,000 of assessed valuation	\$46.44	\$46.44
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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits late payments dates to be established.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including Stow-Munroe Falls City School District. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Stow-Munroe Falls City School District
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Accrued property taxes receivable represented delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2001, was \$336,103 and is recognized as revenue. \$311,685 was available to the general fund and \$24,418 to the debt service fund.

Note 8 - Receivables

Receivables at June 30, 2001, consisted of taxes, accounts (rent and tuition), accrued interest, and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
GED	\$992
Food Service Enterprise Fund	22,194
Total	\$23,186

Note 9 - Fixed Assets

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

Furniture and Equipment	\$637,863
Less: Accumulated Depreciation	(438,317)
Net Fixed Assets	\$199,546

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

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Land and Improvements	\$1,714,193	\$216,025	\$0	\$1,930,218
Buildings and Improvements	28,099,958	731,000	0	28,830,958
Vehicles	3,020,805	524,482	111,409	3,433,878
Furniture and Equipment	6,122,071	1,135,864	0	7,257,935
Construction in Progress	1,020,363	0	1,020,363	0
Total General Fixed Assets	\$39,977,390	\$2,607,371	\$1,131,772	\$41,452,989

Stow-Munroe Falls City School District
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Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Crum Forester for property and general liability insurance with coverage amounts of \$76,330,000 and \$30,000,000, respectively, with a \$1,000 deductible. Travelers Insurance covers the boiler and machinery with a \$1,000 deductible and a \$30,000,000 limit.

Professional liability is provided by The Nationwide Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles are covered by Nationwide Insurance and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

As of January 1, 1995, the School District has contracted with Stark County Schools Council of Government (a shared risk pool) to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the School District's Board of Education.

For fiscal year 2001, the School District's and the employees' share of cost for paid premiums were \$509.92 and \$13.75 for family coverage, and \$209.61 and \$5.98 for single coverage, per month, respectively. Dental insurance is also provided by the School District to all employees. For fiscal year 2001, the School District's cost was \$67.52 for family coverage and \$27.38 for single coverage per employee per month.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Council of Governments Board of Directors has the right to hold monies to an exiting school district subsequent to the settlement of all expenses and claims.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Stow-Munroe Falls City School District
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Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contributions is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$243,546, \$310,145, and \$278,603 respectively; 50.32 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$120,990 representing the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$1,941,278, \$1,182,734 and \$1,118,735, respectively; 84.27 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$305,413 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-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 obligation 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.

Stow-Munroe Falls City School District
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All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$919,553 for fiscal year 2001.

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

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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.30 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$630,957.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave for teachers and classified employees may be accumulated up to 282 days; for administrators, up to 350 days. Upon retirement, payment to teachers is one-third of the first 141 days and one-tenth of the balance up to a maximum payment of 61 days; payment to classified employees is one-

Stow-Munroe Falls City School District
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third of the first 168 days up to a maximum payment of 61 days; payment to administrators is the amount of their daily rate times the number of accrued and unused sick days to a maximum of 85 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Council of Governments. Administrators receive coverage in the amount of their salary rounded to the nearest \$1,000. Coverage in the amount of \$50,000 is provided for all certified and classified employees.

Note 14 - Interfund Activity

Interfund balances at June 30, 2001, consist of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$16,673	\$320
Special Revenue Funds:		
Public School Support	0	1,210
Other Grants	320	0
District Managed Student Activities	0	13,557
Total Special Revenue Funds	320	14,767
Special Trust Agency Fund	0	1,906
Total	\$16,993	\$16,993

Note 15 - Capitalized Lease - Lessee Disclosure

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

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$1,425,336. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments during fiscal year 2001 amounted to \$185,409 in the governmental funds.

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

Stow-Munroe Falls City School District
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Fiscal Year Ending June 30,	Principal and Interest
2002	\$103,387
Less: amount representing interest	(6,764)
Present value of net minimum lease payments	\$96,623

Note 16 - Notes Payable

During fiscal year 2001, the School District issued two new energy conservation notes. The School District's note activity, including amounts outstanding and interest rates, is as follows:

	Balance 6/30/00	Additions	Reductions	Balance 6/30/01
General Fund				
Energy Conservation Note 4.13%	\$2,142,000	\$1,740,000	\$2,142,000	\$1,740,000
Energy Conservation Note 5.09%	370,000	333,000	370,000	333,000
Total Notes Payable	\$2,512,000	\$2,073,000	\$2,512,000	\$2,073,000

The notes are backed by the full faith and credit of Stow-Munroe Falls City School District. Principle payments of \$2,512,000 and interest payments \$97,390 were made during fiscal year 2001.

Note 17 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2001, were as follows:

	Outstanding 6/30/00	Additions	Deductions	Outstanding 6/30/01
General Obligation Bonds:				
1985 \$11,800,000 School Building 9.125%	\$4,130,000	\$0	\$590,000	\$3,540,000
1996 \$530,000 Allen Road Property 5.16%	400,000	0	50,000	350,000
1996 \$3,952,000 Public Library Addition 5.33%	3,185,000	0	285,000	2,900,000
Total General Obligation Bonds	7,715,000	0	925,000	6,790,000
Capital Lease	282,032	0	185,409	96,623
Compensated Absences	2,565,240	227,227	219,194	2,573,273
Intergovernmental Payable	342,295	335,960	342,295	335,960
Early Retirement Incentive Payable	361,528	0	361,528	0
Total General Long-Term Obligations	\$11,266,095	\$563,187	\$2,033,426	\$9,795,856

Stow-Munroe Falls City School District
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For Fiscal Year Ending June 30, 2001

The School District had issued general obligation bonds for the purpose of improvements to various school buildings, purchasing the administration building and improvements to the public library. The bonds are being retired from the debt service fund and the general fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. The capital lease obligation will be paid from the general fund.

The School District's overall debt margin was \$60,433,304 with an unvoted debt margin of \$762,886 at June 30, 2001.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$940,000	\$457,389	\$1,397,389
2003	960,000	383,322	1,343,322
2004	980,000	309,498	1,289,498
2005	1,000,000	235,799	1,235,799
2006	1,025,000	160,556	1,185,556
2007-2009	1,885,000	129,427	2,014,427
Total	<u>\$6,790,000</u>	<u>\$1,675,991</u>	<u>\$8,465,991</u>

Note 18 - Segment Information for Enterprise Funds

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

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$957,766	\$132,840	\$1,090,606
Depreciation	1,855	0	1,855
Operating Income (Loss)	(361,651)	3,570	(358,081)
Donated Commodities	80,655	0	80,655
Operating Grants	152,917	0	152,917
Operating Transfers In	0	2,787	2,787
Net Income (Loss)	(123,468)	6,357	(117,111)
Net Working Capital	(36,311)	82,899	46,588
Total Assets	286,980	82,989	369,969
Long-Term Compensated Absences Payable	42,309	0	42,309
Total Equity	120,926	82,899	203,825
Encumbrances, June 30, 2001	16,244	1,384	17,628

Stow-Munroe Falls City School District
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For Fiscal Year Ending June 30, 2001

Note 19 - Jointly Governed Organizations

A. North East Ohio Network for Educational Technology

The North East Ohio Network for Educational Technology (NEONET) is a jointly governed organization among sixteen school districts and the Summit County Educational Service Center, and it was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEONET including budgeting, appropriating, contracting and designating management. The seven member board of directors consists of four superintendents, two members of the treasurers' committee and one member of the student services subcommittee. All revenues are generated from an annual fee of \$11.70 per student to participating districts and State funding. The School District paid \$70,305 to NEONET during fiscal year 2001. The Summit County Educational Service Center is the fiscal agent for NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

B. Vocational Compact

The Vocational Compact is a jointly governed organization to provide for the vocational and special education needs of the students of six participating school districts. The six member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the six districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Cuyahoga Falls City School District serves as the fiscal agent for this agreement, collecting and distributing payments. All revenues are generated from charges for services. The School District paid \$150,613 to the Vocational Compact for services during fiscal year 2001.

C. Ohio Schools Council

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2001, the School District paid \$1,100 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

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Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts commit to participate for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimates are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Note 20 - Related Organization

The Stow-Munroe Falls Public Library is a related organization to the School District. The School District's Board of Education is responsible for appointing all the trustees of the Stow-Munroe Falls Public Library; however, the School District's Board of Education cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the School District. Although the School District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, Stow-Munroe Falls City School District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2001.

Note 21 - Public Entity Risk Pool

The Stark County Schools Council of Governments Health Benefits Program is a shared risk pool, with participants from Stark, Summit and Portage Counties. The consortium is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 2100 38th Street, Canton, Ohio 44709.

Note 22 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditures 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

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is party to various legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims will not have a material effect, if any, on the financial condition of the School District.

Note 23 - Set Aside Requirements

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

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

	Budget Stabilization	Capital Improvements	Textbook/ Instructional Materials
Set-aside Reserve Balance as of June 30, 2000	\$779,476	\$0	\$412,798
Current Year Set-aside Requirement	0	915,853	915,853
Reduction Authorized by Legislative Revisions	(583,902)	0	0
Qualifying Disbursements	0	(2,338,351)	(922,466)
Totals	\$195,574	(\$1,422,498)	\$406,185
Set-aside Balance Carried Forward to Future Fiscal Years	\$195,574	\$0	\$406,185
Set-Aside Reserve Balance as of June 30, 2001	\$195,574	\$0	\$406,185

The School District had qualifying disbursements during the fiscal year that reduced the capital improvement set-aside amounts below zero. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$601,759.

Stow-Munroe Falls City School District
Notes to the General Purpose Financial Statements
For Fiscal Year Ending June 30, 2001

Note 24 - 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 November 21, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

Note 25 - Subsequent Events

On August 6, 2001 and on November 5, 2001, the Board of Education adopted resolutions for the issuance and sale of energy conservation improvement notes in the amounts of \$435,000 and \$2,025,000, respectively.

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**STOW-MONROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Distribution Program	N/A	10.550		\$64,552		\$61,541
National School Lunch Program	N/A	10.555	\$147,592		\$147,592	
Total U.S. Department of Agriculture			147,592	64,552	147,592	61,541
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster: Special Education - Grants to States	6B-SF-00 6B-SF-01	84.027			29,999 231,023	
Total Special Education - Grants to States			306,330		261,022	
Special Education - Preschool Grant	PG-S1-99 PG-S1-00 PG-S1-01	84.173			99 1,720 12,428	
Total Special Education - Preschool Grant			14,497		14,247	
Total Special Education Cluster			320,827		275,269	
Title I Grants to Local Educational Agencies	C1-S1-00 C1-S1-00c C1-S1-01	84.010			54 7,311 159,768	
Total Title I Grants to Local Educational Agencies			153,048		167,133	
Innovative Education Program Strategies	C2-S1-CA C2-S1-00 C2-S1-01	84.298	13,338 4,555 39,200		14,179 4,666 5,895	
Total Innovative Education Program Strategies			57,093		24,740	
Goals 2000-State and Local Education Systemic Improvement	G2-S8-01	84.276	2,284		610	
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-00 DR-S1-01	84.186	18,052 24,578		1,200 20,568	
Total Safe and Drug-Free Schools and Communities - State Grants			42,630		21,768	
Title VI-R Reduction Class Size Grant	CR-S1-00 CR-S1-01	84.340			8,492 55,031	
Total Title VI-R Reduction Class Size Grant			58,975		63,523	
Technology Literacy Challenge Fund Grants	TF-VM-01	84.318	4,658		4,744	
Eisenhower Professional Development State Grants	MS-S4-01	84.281	28,331		10,374	
<i>Passed Through Summit County Educational Service Center:</i>						
Technology Innovation Challenge Grants	NA NA NA	84.303	5,557 18,071		28,468 18,071 3,447	
Total Technology Innovation Challenge Grants			23,628		49,986	
Goals 2000-State and Local Education Systemic Improvement	G2-S8-00	84.276			236	
<i>Passed Through Summit Six District Vocational Educational Compact:</i>						
Vocational Education - Basic Grants to States	NA NA NA NA	84.048			127 258 20,091 13,123	
Total Vocational Education - Basic Grants to States			41,178		33,599	
Eisenhower Professional Development State Grants	NA NA NA	84.281			250 1,829	
Total Eisenhower Professional Development State Grants					2,079	
Total U.S. Department of Education			732,652	64,552	654,061	
TOTAL FEDERAL AWARDS			\$880,244	\$64,552	\$801,653	\$61,541

The accompanying notes to this schedule are an integral part of this schedule.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal award programs. Except for the Job Training Partnership Grant CFDA No. 17.250, which is accounted for on the accrual basis, the Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had \$20,337 of food commodities in inventory.



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

Stow-Munroe Falls City School District
Summit County
4350 Allen Road
Stow, Ohio 44224

To the Board of Education:

We have audited the general purpose financial statements of the Stow-Munroe Falls City School District, Summit County, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated March 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-10977-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 13, 2002.

Internal Control Over Financial Reporting

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

Stow-Munroe Falls City School District
Summit County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 13, 2002.

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

Jim Petro
Auditor of State

March 13, 2002



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

Stow-Munroe Falls City School District
Summit County
4350 Allen Road
Stow, Ohio 44224

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

March 13, 2002

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster CFDA 10.550 and 10.555, Title VI-R Reduction Class Size CFDA 84.340
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-10977-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal obligation on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the Treasurer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirements for approval of expenditures by the taxing authority.

Of the transactions tested, 23% were not certified by the Treasurer prior to the obligation date of the expenditure. In addition, neither of the two exceptions were utilized. Failure to certify the availability of funds prior to entering into the commitment could result in making commitments in excess of available funds. The District should establish procedures to ensure that all expenditures are certified prior to their obligation. These procedures could include the implementation of the use of the so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

A similar matter was reported in our audit of the June 30, 2000 financial statements.

3. FINDINGS FOR FEDERAL AWARDS

None.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2000-10977-001	Failure to certify the availability of funds prior to commitment.	No	Partially corrected. Noncompliance is not as significant as prior audit.



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STOW-MUNROE FALLS CITY SCHOOL DISTRICT

SUMMIT 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
APRIL 11, 2002**