



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**OHIO COALITION FOR EQUITY AND ADEQUACY OF SCHOOL FUNDING
MUSKINGUM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Steering Committee
Ohio Coalition for Equity and Adequacy of School Funding
Muskingum County
36 East Muskingum Avenue
Dresden, Ohio 43821

We have audited the accompanying financial statements of Ohio Coalition for Equity and Adequacy of School Funding, Muskingum County, Ohio, (the Coalition) as of and for the years ended June 30, 2002 and June 30, 2001. These financial statements are the responsibility of the Coalition's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the 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.

As described in Note 1, the Coalition prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance and reserves for encumbrances of Ohio Coalition for Equity and Adequacy of School Funding, Muskingum County, Ohio as of June 30, 2002 and June 30, 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2002 on our consideration of the Coalition'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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the steering committee, management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

December 27, 2002

**OHIO COALITION FOR EQUITY AND ADEQUACY OF SCHOOL FUNDING
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN CASH BALANCE
FOR THE YEARS ENDED JUNE 30, 2002 AND JUNE 30, 2001**

	2002	2001
Cash receipts:		
Intergovernmental	\$ 634,006	\$ 600,304
Interest Income	-	3,371
	634,006	603,675
Total cash receipts		
Cash disbursements:		
Refund of Dues/Memberships	8,000	100
Legal Services	346,048	285,977
Research Consultants	47,210	75,019
Executive Director	120,568	100,941
Meetings and Mileage	14,451	22,195
Supplies and Mailings	40,239	44,165
Telephone Expenses	3,894	5,865
Equipment	32,105	2,286
Video Production	23,450	54,368
Copier Expenses	-	39,809
Postage	45,000	80,869
Surveys	-	6,000
Audit Fees	-	1,149
Liability Insurance	568	-
	681,533	718,743
Total cash disbursements		
Total cash receipts over/(under) cash disbursements	(47,527)	(115,068)
Cash balance, July 1	151,524	266,592
Cash balance, June 30	\$ 103,997	\$ 151,524
Reserve for encumbrances	\$ -	\$ 135,311

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

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**OHIO COALITION FOR EQUITY AND ADEQUACY OF SCHOOL FUNDING
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of The Entity

The Ohio Coalition for Equity and Adequacy of School Funding, Muskingum County, Ohio (the Coalition) is a regional council of government established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio.

The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives that need not be Board of Education Superintendents. A maximum of 78 steering committee representatives may be appointed by the Chairperson.

The major source of receipts are fees collected from the member school districts based upon the school district's average daily membership.

The Coalition's management believes these financial statements present all activities for which the Coalition is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fiscal Agent

Tri-Valley Local School District, Muskingum County, Ohio (Tri-Valley), fiscal agent for the Coalition, maintains the Coalition records in accordance with the principles of fund accounting. The Coalition fund is reported as an agency fund on Tri-Valley's financial statements.

D. Budgetary Process

The Coalition's budget is included with the budget of Tri-Valley.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) should not exceed appropriations at the fund, function or object level of control, and appropriations should not exceed estimated resources. The steering committee approves annual appropriations in the minutes which are included with the appropriations of Tri-Valley. This budget is approved as a monitoring device and is not a statutory requirement.

**OHIO COALITION FOR EQUITY AND ADEQUACY OF SCHOOL FUNDING
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

Encumbrances

The Coalition reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

E. Contract Service

The Coalition approved the contract to pay the Executive Director for services performed. Invoices are submitted for monthly services provided. The funds used to pay this service are derived from membership fees.

2. EQUITY IN CASH AND INVESTMENTS

The Tri-Valley Local School District, as fiscal agent, maintains a cash pool used by all of the school's funds, including those of the Coalition. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2001</u>	<u>2002</u>
Demand deposits	<u>\$151,524</u>	<u>\$103,997</u>

The Tri-Valley Local School District, as fiscal agent for the Coalition, is responsible for maintaining adequate depository collateral for all funds in the Tri-Valley Local School District's pooled deposit accounts.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended June 30, 2002 and June 30, 2001 follows:

	<u>2002 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
	<u>\$584,000</u>	<u>634,006</u>	<u>\$50,006</u>
Total	<u>\$584,000</u>	<u>634,006</u>	<u>\$50,006</u>

**OHIO COALITION FOR EQUITY AND ADEQUACY OF SCHOOL FUNDING
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
	<u>\$536,525</u>	<u>681,533</u>	<u>(\$145,008)</u>
Total	<u>\$536,525</u>	<u>681,533</u>	<u>(\$145,008)</u>

2001 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
	<u>\$600,000</u>	<u>603,675</u>	<u>\$3,675</u>
Total	<u>\$600,000</u>	<u>603,675</u>	<u>\$3,675</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
	<u>\$737,025</u>	<u>854,054</u>	<u>(\$117,029)</u>
Total	<u>\$737,025</u>	<u>854,054</u>	<u>(\$117,029)</u>

4. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued the latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assemble to enact a school-funding scheme that is thorough and efficient...".

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

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

Steering Committee
Ohio Coalition for Equity and Adequacy of School Funding
Muskingum County
36 East Muskingum Avenue
Dresden, Ohio 43821

We have audited the financial statements of Ohio Coalition for Equity and Adequacy of School Funding, Muskingum County, Ohio (the Coalition) as of and for the years ended June 30, 2002 and June 30, 2001, and have issued our report thereon dated December 27, 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 Coalition's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Coalition'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 management 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.

Steering Committee
Ohio Coalition for Equity and Adequacy of School Funding
Muskingum County
Report on Compliance and Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the steering committee and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

JIM PETRO
Auditor of State

December 27, 2002



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OHIO COALITION FOR EQUITY AND ADEQUACY OF SCHOOL FUNDING

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2003**