

**MORGAN LOCAL SCHOOL DISTRICT**

**ANNUAL REPORT  
YEAR ENDED JUNE 30, 2001**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
Columbus, Ohio 43215  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-728-7398  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Board of Education  
Morgan Local School District  
78 E. Main Street, P.O. Box 509  
McConnelsville, Ohio 43756

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

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

**JIM PETRO**  
Auditor of State

December 26, 2001

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**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

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**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**ELECTED OFFICIALS  
AS OF JUNE 30, 2001**

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
<b><u>Board of Education</u></b>		
Jeff Shaner	President	1/1/00 to 12/31/03
Steve Inman	Vice-President	1/1/98 to 12/31/01
David Copeland	Member	1/1/98 to 12/31/01
Michelle Greer	Member	1/1/00 to 12/31/03
Mary Pat Hanson	Member	1/1/00 to 12/31/03

**Legal Counsel**

Richard Ross, Prosecuting Attorney  
109 East Main Street  
McConnelsville, Ohio 43756

**Entity Address**

Morgan Local School District  
P.O. Box 509  
McConnelsville, Ohio 43756

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 2001**

<b>TITLE/ NAME</b>	<b>CONTRACT PERIOD</b>	<b>SURETY</b>	<b>AMOUNT</b>	<b>PERIOD</b>
<b><u>Superintendent</u></b>				
Herbert Young	8/1/97 to 7/31/01	(A)	\$20,000	8/1/00-7/31/01
<b><u>Treasurer</u></b>				
Susan Gable	1/01/01 to Org. Mtg, 2005	(A)	\$20,000	1/1/01-12/31/01

(A) Ohio Farmers Insurance Company



**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**INDEX OF FUNDS**

**GOVERNMENTAL FUND TYPES**

**General Fund**

General Fund

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Maintenance Building Fund

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Financial Literacy Grant

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Ohio Reads Grant Fund

Disadvantaged Pupil Impact Aid Fund

Dwight D. Eisenhower Grant Fund

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Education of Handicapped Children Fund

Title 1 - Special Educational Needs of Disadvantaged Children Fund

Title VI - Elementary and Secondary Education Act Block Grant Fund

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Special Education – Preschool Grant Fund

Goals 2000

Reading Excellence Fund

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School to Work Grant Fund

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Permanent Improvement Fund

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**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

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**FIDUCIARY FUND TYPES**

**Expendable Trust Funds:**

Special Trust Funds

**Non-Expendable Trust Fund:**

Endowment Fund

**Agency Funds:**

Student Managed Activity Funds

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Morgan Local School District  
P.O. Box 509  
McConnelsville, Ohio 43756

We have audited the accompanying general-purpose financial statements of Morgan Local School District, as of and for the year ended June 30, 2001. 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 standard 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 financial statements referred to above present fairly, in all material respects, the financial position of the Morgan Local School District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year than ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements of the District taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local governments, and Non-Profit Organizations and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2001, on our consideration of the Morgan Local School District's internal control structure 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.

**Wolfe, Wilson, & Phillips, Inc.**  
Zanesville, Ohio  
November 14, 2001

**Morgan Local School District, Ohio**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$1,248,337	\$811,691	\$34,198	\$3,636,773
Cash and Cash Equivalents:				
In Segregated Accounts	0	633	0	0
With Fiscal Agents	0	0	0	423,289
Investments	0	0	0	7,428,644
Receivables:				
Property Taxes	3,347,818	68,875	393,816	0
Accounts	40,762	0	0	0
Intergovernmental	69,667	394,642	0	1,629,926
Accrued Interest	0	0	0	0
Interfund Receivable	4,732	0	0	0
Due from Other Funds	549	7,851	43,503	0
Materials and Supplies Inventory	44,711	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	98,733	11,084	0	0
Restricted Assets:				
Cash and Cash Equivalents	625,242	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Construction in Progress	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$5,480,551</u>	<u>\$1,294,776</u>	<u>\$471,517</u>	<u>\$13,118,632</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$935	\$148,700	\$70,129	\$0	\$0	\$5,950,763
0	28,568	549	0	0	29,750
0	0	0	0	0	423,289
0	0	100,000	0	0	7,528,644
0	0	0	0	0	3,810,509
0	0	0	0	0	40,762
0	0	0	0	0	2,094,235
0	0	7,635	0	0	7,635
0	0	0	0	0	4,732
0	0	0	0	0	51,903
1,317	0	0	0	0	46,028
13,018	0	0	0	0	13,018
5,354	18,455	0	0	0	133,626
0	0	0	0	0	625,242
68	0	0	11,293,591	0	11,293,659
0	0	0	16,275,020	0	16,275,020
0	0	0	0	80,896	80,896
0	0	0	0	10,567,592	10,567,592
<u>\$20,692</u>	<u>\$195,723</u>	<u>\$178,313</u>	<u>\$27,568,611</u>	<u>\$10,648,488</u>	<u>\$58,977,303</u>

(continued)

**Morgan Local School District, Ohio**  
 Combined Balance Sheet  
 All Fund Types and Account Groups (Continued)  
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$39,593	\$27,983	\$0	\$3,206
Contracts Payable	0	0	0	994,293
Retainage Payable	0	0	0	428,836
Accrued Salaries and Benefits Payable	1,488,938	222,272	0	0
Intergovernmental Payable	356,982	49,144	0	2,275
Interfund Payable	0	0	0	4,732
Due to Other Funds	51,354	0	0	0
Due to Students	0	0	0	0
Deferred Revenue	3,327,892	183,522	390,621	1,629,926
Compensated Absences Payable	15,133	0	0	0
Claims Payable	0	0	0	0
Tax Refund Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
School Bus Bonds	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Energy Conservation Long-Term Note	0	0	0	0
Energy Conservation Improvement Bonds	0	0	0	0
<b>Total Liabilities</b>	<b>5,279,892</b>	<b>482,921</b>	<b>390,621</b>	<b>3,063,268</b>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings (Deficits)	0	0	0	0
<u>Fund Balances:</u>				
Reserved for Encumbrances	655,474	184,995	0	8,422,946
Reserved for Budget Stabilization	76,683	0	0	0
Reserved for Textbooks	46,567	0	0	0
Reserved for Bus Purchase	501,992	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Inventory	44,711	0	0	0
Reserved for Property Taxes	23,175	579	3,195	0
<u>Unreserved:</u>				
Designated for Textbooks	6,954	0	0	0
Undesignated (Deficit)	(1,154,897)	626,281	77,701	1,632,418
<b>Total Fund Equity (Deficits) and Other Credits</b>	<b>200,659</b>	<b>811,855</b>	<b>80,896</b>	<b>10,055,364</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$5,480,551</b>	<b>\$1,294,776</b>	<b>\$471,517</b>	<b>\$13,118,632</b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$70,782
0	0	0	0	0	994,293
0	0	0	0	0	428,836
61,432	0	0	0	0	1,772,642
42,065	0	0	0	133,829	584,295
0	0	0	0	0	4,732
0	0	549	0	0	51,903
0	0	67,354	0	0	67,354
9,806	102,745	0	0	0	5,644,512
25,088	0	0	0	1,074,720	1,114,941
0	106,722	0	0	0	106,722
0	0	0	0	35,863	35,863
0	0	0	0	60,192	60,192
0	0	0	0	1,140,000	1,140,000
0	0	0	0	7,059,110	7,059,110
0	0	0	0	887,722	887,722
0	0	0	0	257,052	257,052
<u>138,391</u>	<u>209,467</u>	<u>67,903</u>	<u>0</u>	<u>10,648,488</u>	<u>20,280,951</u>
0	0	0	27,568,611	0	27,568,611
(117,699)	(13,744)	0	0	0	(131,443)
0	0	0	0	0	9,263,415
0	0	0	0	0	76,683
0	0	0	0	0	46,567
0	0	0	0	0	501,992
0	0	100,000	0	0	100,000
0	0	0	0	0	44,711
0	0	0	0	0	26,949
0	0	0	0	0	6,954
0	0	10,410	0	0	1,191,913
<u>(117,699)</u>	<u>(13,744)</u>	<u>110,410</u>	<u>27,568,611</u>	<u>0</u>	<u>38,696,352</u>
<u>\$20,692</u>	<u>\$195,723</u>	<u>\$178,313</u>	<u>\$27,568,611</u>	<u>\$10,648,488</u>	<u>\$58,977,303</u>

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Property Taxes	\$3,438,389	\$71,290	\$633,945	\$0	\$4,143,624
Intergovernmental	10,316,820	2,997,473	46,561	14,617,629	27,978,483
Interest	193,393	0	4,142	824,750	1,022,285
Tuition and Fees	42,938	0	0	0	42,938
Charges for Services	10,916	0	0	0	10,916
Extracurricular Activities	0	107,169	0	0	107,169
Miscellaneous	103,974	200,046	0	0	304,020
<b>Total Revenues</b>	<b>14,106,430</b>	<b>3,375,978</b>	<b>684,648</b>	<b>15,442,379</b>	<b>33,609,435</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	5,404,969	1,335,288	0	0	6,740,257
Special	1,219,363	878,020	0	0	2,097,383
Vocational	1,072,604	12,790	0	0	1,085,394
Adult/Continuing	898	0	0	0	898
Other	587,722	0	0	0	587,722
<b>Support Services:</b>					
Pupils	490,163	152,790	0	0	642,953
Instructional Staff	453,523	284,827	0	0	738,350
Board of Education	64,808	0	0	0	64,808
Administration	1,261,914	74,078	0	0	1,335,992
Fiscal	348,510	58,309	14,748	0	421,567
Business	136,174	0	0	0	136,174
Operation and Maintenance of Plant	1,785,331	2,400	0	0	1,787,731
Pupil Transportation	1,341,480	14,658	0	0	1,356,138
Central	107,588	1,000	0	0	108,588
Extracurricular Activities	159,660	103,170	0	0	262,830
Capital Outlay	31,197	14,741	0	16,084,109	16,130,047
Refund of Taxes	17,931	0	0	0	17,931
<b>Debt Service:</b>					
Principal Retirement	405	22,836	156,633	0	179,874
Interest and Fiscal Charges	3,746	1,636	503,595	12,035	521,012
<b>Total Expenditures</b>	<b>14,487,986</b>	<b>2,956,543</b>	<b>674,976</b>	<b>16,096,144</b>	<b>34,215,649</b>
Excess of Revenues Over (Under) Expenditures	(381,556)	419,435	9,672	(653,765)	(606,214)
<b>Other Financing Sources (Uses):</b>					
Proceeds of Notes	745,982	0	0	0	745,982
Inception of Capital Lease	1,610	5,390	0	0	7,000
Operating Transfers In	70,740	0	0	7,179,731	7,250,471
Operating Transfers Out	(316,800)	0	(7,179,731)	(70,740)	(7,567,271)
<b>Total Other Financing Sources (Uses)</b>	<b>501,532</b>	<b>5,390</b>	<b>(7,179,731)</b>	<b>7,108,991</b>	<b>436,182</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	119,976	424,825	(7,170,059)	6,455,226	(170,032)
Fund Balances at Beginning of Year - Restated (Note 3)	72,270	387,030	7,250,955	3,600,138	11,310,393
Increase in Reserve for Inventory	8,413	0	0	0	8,413
<b>Fund Balances at End of Year</b>	<b>\$200,659</b>	<b>\$811,855</b>	<b>\$80,896</b>	<b>\$10,055,364</b>	<b>\$11,148,774</b>

See accompanying notes to the general purpose financial statement



**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$3,509,565	\$3,527,500	\$17,935
Intergovernmental	10,035,073	10,335,493	300,420
Interest	125,000	193,358	68,358
Tuition and Fees	32,000	30,439	(1,561)
Charges for Services	13,000	18,711	5,711
Extracurricular Activities	0	0	0
Miscellaneous	120,600	94,370	(26,230)
<b>Total Revenues</b>	<b>13,835,238</b>	<b>14,199,871</b>	<b>364,633</b>
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	9,575,623	5,372,048	4,203,575
Special	10,387	1,216,647	(1,206,260)
Vocational	77,791	1,131,649	(1,053,858)
Adult/Continuing	0	903	(903)
Other	544,208	585,948	(41,740)
<u>Support Services:</u>			
Pupils	2,278,469	508,738	1,769,731
Instructional Staff	133,307	468,271	(334,964)
Board of Education	127,586	94,338	33,248
Administration	262,182	1,267,887	(1,005,705)
Fiscal	256,727	357,224	(100,497)
Business	4,363	142,085	(137,722)
Operation and Maintenance of Plant	1,213,147	1,908,067	(694,920)
Pupil Transportation	777,958	1,728,373	(950,415)
Central	4,000	120,075	(116,075)
Non-Instructional Services	0	0	0
Extracurricular Activities	8,056	159,906	(151,850)
Capital Outlay	34,670	31,159	3,511
<u>Debt Service:</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>15,308,474</b>	<b>15,093,318</b>	<b>215,156</b>
Excess of Revenues Over (Under) Expenditures	(1,473,236)	(893,447)	579,789
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	745,982	745,982	0
Operating Transfer In	0	70,740	70,740
Operating Transfer Out	(200,000)	(316,800)	(116,800)
Advances In	0	359	359
Advances Out	0	0	0
Refund of Prior Year Expenditures	14,445	25,250	10,805
Refund of Prior Year Receipts	0	(17,931)	(17,931)
<b>Total Other Financing Sources (Uses)</b>	<b>560,427</b>	<b>507,600</b>	<b>(52,827)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(912,809)	(385,847)	526,962
Fund Balances at Beginning of Year	1,316,882	1,316,882	0
Prior Year Encumbrances Appropriated	249,540	249,540	0
<b>Fund Balances (Deficits) at End of Year</b>	<b>\$653,613</b>	<b>\$1,180,575</b>	<b>\$526,962</b>

(continued)

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types (Continued)  
 For the Fiscal Year Ended June 30, 2001

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$47,000	\$73,345	\$26,345
Intergovernmental	2,311,445	2,867,876	556,431
Interest	0	0	0
Tuition and Fees	0	0	0
Charges for Services	0	0	0
Extracurricular Activities	98,400	106,797	8,397
Miscellaneous	12,250	63,583	51,333
<b>Total Revenues</b>	<b>2,469,095</b>	<b>3,111,601</b>	<b>642,506</b>
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	1,901,954	1,481,405	420,549
Special	1,113,575	888,693	224,882
Vocational	17,355	15,138	2,217
Adult/Continuing	0	0	0
Other	0	0	0
<u>Support Services:</u>			
Pupils	169,217	152,279	16,938
Instructional Staff	309,064	270,667	38,397
Board of Education	0	0	0
Administration	85,083	75,560	9,523
Fiscal	105,525	58,200	47,325
Business	0	0	0
Operation and Maintenance of Plant	2,400	2,400	0
Pupil Transportation	81,627	18,667	62,960
Central	1,000	1,000	0
Non-Instructional Services	7,500	0	7,500
Extracurricular Activities	115,590	111,724	3,866
Capital Outlay	31,208	31,208	0
<u>Debt Service:</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>3,941,098</b>	<b>3,106,941</b>	<b>834,157</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,472,003)</b>	<b>4,660</b>	<b>1,476,663</b>
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	0	0	0
Operating Transfer In	0	0	0
Operating Transfer Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Refund of Prior Year Expenditures	0	7,150	7,150
Refund of Prior Year Receipts	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>7,150</b>	<b>7,150</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(1,472,003)</b>	<b>11,810</b>	<b>1,483,813</b>
Fund Balances at Beginning of Year	516,207	516,207	0
Prior Year Encumbrances Appropriated	70,488	70,488	0
<b>Fund Balances (Deficits) at End of Year</b>	<b>(\$885,308)</b>	<b>\$598,505</b>	<b>\$1,483,813</b>

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$660,228	\$645,294	(\$14,934)	\$0	\$0	\$0
0	3,058	3,058	9,386,279	14,703,629	5,317,350
4,142	4,142	0	621,609	850,180	228,571
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>664,370</u>	<u>652,494</u>	<u>(11,876)</u>	<u>10,007,888</u>	<u>15,553,809</u>	<u>5,545,921</u>
0	0	0	62,642	24,945	37,697
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	417,024	719,623	(302,599)
0	0	0	220	4,720	(4,500)
15,000	14,748	252	25,279	8,636	16,643
0	0	0	0	0	0
0	0	0	17,800,000	20,693,515	(2,893,515)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	6,715,300	2,795,772	3,919,528
7,336,363	7,153,633	182,730	0	0	0
503,601	686,326	(182,725)	0	0	0
<u>7,854,964</u>	<u>7,854,707</u>	<u>257</u>	<u>25,020,465</u>	<u>24,247,211</u>	<u>773,254</u>
<u>(7,190,594)</u>	<u>(7,202,213)</u>	<u>(11,619)</u>	<u>(15,012,577)</u>	<u>(8,693,402)</u>	<u>6,319,175</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	(70,740)	(70,740)	0
0	0	0	0	0	0
0	0	0	(359)	(359)	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(71,099)</u>	<u>(71,099)</u>	<u>0</u>
(7,190,594)	(7,202,213)	(11,619)	(15,083,676)	(8,764,501)	6,319,175
56,680	56,680	0	10,566,511	10,566,511	0
7,179,731	7,179,731	0	499	499	0
<u>\$45,817</u>	<u>\$34,198</u>	<u>(\$11,619)</u>	<u>(\$4,516,666)</u>	<u>\$1,802,509</u>	<u>\$6,319,175</u>

(continued)

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types (Continued)  
 For the Fiscal Year Ended June 30, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$4,216,793	\$4,246,139	\$29,346
Intergovernmental	21,732,797	27,910,056	6,177,259
Interest	750,751	1,047,680	296,929
Tuition and Fees	32,000	30,439	(1,561)
Charges for Services	13,000	18,711	5,711
Extracurricular Activities	98,400	106,797	8,397
Miscellaneous	132,850	157,953	25,103
<b>Total Revenues</b>	<b>26,976,591</b>	<b>33,517,775</b>	<b>6,541,184</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	11,540,219	6,878,398	4,661,821
Special	1,123,962	2,105,340	(981,378)
Vocational	95,146	1,146,787	(1,051,641)
Adult/Continuing	0	903	(903)
Other	544,208	585,948	(41,740)
<b>Support Services:</b>			
Pupils	2,447,686	661,017	1,786,669
Instructional Staff	442,371	738,938	(296,567)
Board of Education	544,610	813,961	(269,351)
Administration	347,485	1,348,167	(1,000,682)
Fiscal	402,531	438,808	(36,277)
Business	4,363	142,085	(137,722)
Operation and Maintenance of Plant	19,015,547	22,603,982	(3,588,435)
Pupil Transportation	859,585	1,747,040	(887,455)
Central	5,000	121,075	(116,075)
Non-Instructional Services	7,500	0	7,500
Extracurricular Activities	123,646	271,630	(147,984)
Capital Outlay	6,781,178	2,858,139	3,923,039
<b>Debt Service:</b>			
Principal Retirement	7,336,363	7,153,633	182,730
Interest and Fiscal Charges	503,601	686,326	(182,725)
<b>Total Expenditures</b>	<b>52,125,001</b>	<b>50,302,177</b>	<b>1,822,824</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(25,148,410)</b>	<b>(16,784,402)</b>	<b>8,364,008</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of Notes	745,982	745,982	0
Operating Transfer In	0	70,740	70,740
Operating Transfer Out	(270,740)	(387,540)	(116,800)
Advances In	0	359	359
Advances Out	(359)	(359)	0
Refund of Prior Year Expenditures	14,445	32,400	17,955
Refund of Prior Year Receipts	0	(17,931)	(17,931)
<b>Total Other Financing Sources (Uses)</b>	<b>489,328</b>	<b>443,651</b>	<b>(45,677)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(24,659,082)</b>	<b>(16,340,751)</b>	<b>8,318,331</b>
Fund Balances at Beginning of Year	12,456,280	12,456,280	0
Prior Year Encumbrances Appropriated	7,500,258	7,500,258	0
<b>Fund Balances (Deficits) at End of Year</b>	<b>(\$4,702,544)</b>	<b>\$3,615,787</b>	<b>\$8,318,331</b>

See accompanying notes to the general purpose financial statement

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues,  
 Expenses and Changes in Retained Earnings/Fund Balance  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
<u>Revenues:</u>				
Sales	\$378,610	\$0	\$0	\$378,610
Charges for Services	0	1,372,274	0	1,372,274
Interest Income	0	0	6,375	6,375
Total Revenues	<u>378,610</u>	<u>1,372,274</u>	<u>6,375</u>	<u>1,757,259</u>
<u>Expenses:</u>				
Salaries	312,418	0	0	312,418
Fringe Benefits	119,774	0	0	119,774
Purchased Services	293	224,407	0	224,700
Materials and Supplies	29,012	0	0	29,012
Cost of Sales	323,607	0	0	323,607
Claims	0	1,276,483	0	1,276,483
Depreciation	230	0	0	230
Other	0	0	8,100	8,100
Total Expenses	<u>785,334</u>	<u>1,500,890</u>	<u>8,100</u>	<u>2,294,324</u>
Operating Loss	<u>(406,724)</u>	<u>(128,616)</u>	<u>(1,725)</u>	<u>(537,065)</u>
<u>Non-Operating Revenues:</u>				
Federal Donated Commodities	58,963	0	0	58,963
Interest Income	19	0	0	19
Federal and State Subsidies	290,447	0	0	290,447
Total Non-Operating Revenues	<u>349,429</u>	<u>0</u>	<u>0</u>	<u>349,429</u>
Net Loss before Operating Transfers	(57,295)	(128,616)	(1,725)	(187,636)
Operating Transfers In	<u>16,800</u>	<u>300,000</u>	<u>0</u>	<u>316,800</u>
Net Income (Loss) after Operating Transfers	(40,495)	171,384	(1,725)	129,164
Retained Earnings (Deficits)/Fund Balance at Beginning of Year	<u>(77,204)</u>	<u>(185,128)</u>	<u>112,135</u>	<u>(150,197)</u>
Retained Earnings (Deficits)/Fund Balance at End of Year	<u>(\$117,699)</u>	<u>(\$13,744)</u>	<u>\$110,410</u>	<u>(\$21,033)</u>

See accompanying notes to the general purpose financial statements

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Fiscal Year Ended June 30, 2001

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$380,000	\$378,660	(\$1,340)
Charges for Services	0	0	0
Interest Income	0	19	19
Federal and State Subsidies	310,000	329,386	19,386
<b>Total Revenues</b>	<b>690,000</b>	<b>708,065</b>	<b>18,065</b>
<u>Expenses:</u>			
Salaries	305,659	312,919	(7,260)
Fringe Benefits	125,371	120,640	4,731
Purchased Services	400	293	107
Materials and Supplies	297,974	294,210	3,764
Other	0	0	0
<b>Total Expenses</b>	<b>729,404</b>	<b>728,062</b>	<b>1,342</b>
Excess of Revenues Under Expenses	(39,404)	(19,997)	19,407
Operating Transfers In	0	16,800	16,800
Excess of Revenues Over (Under) Expenses and Operating Transfers In	(39,404)	(3,197)	36,207
Fund Equity at Beginning of Year	3,197	3,197	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Equity (Deficits) at End of Year</b>	<b>(\$36,207)</b>	<b>\$0</b>	<b>\$36,207</b>

Internal Service Fund			Non-Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
1,317,600	1,375,340	57,740	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,317,600</u>	<u>1,375,340</u>	<u>57,740</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0
1,623,993	1,620,844	3,149	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	10,000	9,100	900
<u>1,623,993</u>	<u>1,620,844</u>	<u>3,149</u>	<u>10,000</u>	<u>9,100</u>	<u>900</u>
(306,393)	(245,504)	60,889	(10,000)	(9,100)	900
0	300,000	300,000	0	0	0
(306,393)	54,496	360,889	(10,000)	(9,100)	900
20,990	20,990	0	110,875	110,875	0
20,000	20,000	0	0	0	0
<u>(\$265,403)</u>	<u>\$95,486</u>	<u>\$360,889</u>	<u>\$100,875</u>	<u>\$101,775</u>	<u>\$900</u>

(continued)

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types and Similar Trust Fund (Continued)  
 For the Fiscal Year Ended June 30, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$380,000	\$378,660	(\$1,340)
Charges for Services	1,317,600	1,375,340	57,740
Interest Income	0	19	19
Federal and State Subsidies	310,000	329,386	19,386
<b>Total Revenues</b>	<b>2,007,600</b>	<b>2,083,405</b>	<b>75,805</b>
<u>Expenses:</u>			
Salaries	305,659	312,919	(7,260)
Fringe Benefits	1,749,364	1,741,484	7,880
Purchased Services	400	293	107
Materials and Supplies	297,974	294,210	3,764
Other	10,000	9,100	900
<b>Total Expenses</b>	<b>2,363,397</b>	<b>2,358,006</b>	<b>5,391</b>
Excess of Revenues Under Expenses	(355,797)	(274,601)	81,196
Operating Transfers In	0	316,800	316,800
Excess of Revenues Over (Under) Expenses and Operating Transfers In	(355,797)	42,199	397,996
Fund Equity at Beginning of Year	135,062	135,062	0
Prior Year Encumbrances Appropriated	20,000	20,000	0
<b>Fund Equity (Deficits) at End of Year</b>	<b>(\$200,735)</b>	<b>\$197,261</b>	<b>\$397,996</b>

See accompanying notes to the general purpose financial statements



**Morgan Local School District, Ohio**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Sales	\$378,660	\$0	\$0	\$378,660
Cash Received from Quasi-External Transactions with Other Funds	0	1,375,340	0	1,375,340
Cash Payments for Employee Services and Benefits	(433,559)	0	0	(433,559)
Cash Payments to Suppliers for Goods and Services	(293,568)	(226,281)	0	(519,849)
Cash Payments for Claims	0	(1,335,028)	0	(1,335,028)
Other Operating Expenses	0	0	(8,100)	(8,100)
Net Cash Used for Operating Activities	<u>(348,467)</u>	<u>(185,969)</u>	<u>(8,100)</u>	<u>(542,536)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Transfers In	16,800	300,000	0	316,800
Operating Grants Received	329,386	0	0	329,386
Net Cash Provided by Noncapital Financing Activities	<u>346,186</u>	<u>300,000</u>	<u>0</u>	<u>646,186</u>
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	19	0	0	19
Net Cash Provided by Investing Activities	<u>19</u>	<u>0</u>	<u>0</u>	<u>19</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,262)	114,031	(8,100)	103,669
Cash and Cash Equivalents at Beginning of Year	<u>3,197</u>	<u>63,237</u>	<u>10,875</u>	<u>77,309</u>
Cash and Cash Equivalents at End of Year	<u>\$935</u>	<u>\$177,268</u>	<u>\$2,775</u>	<u>\$180,978</u>

(continued)

**Morgan Local School District, Ohio**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Similar Trust Fund (Continued)  
 For the Fiscal Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Reconciliation of Operating Loss to Net <u>Cash Used for Operating Activities:</u>				
Operating Loss	(\$406,724)	(\$128,616)	(\$1,725)	(\$537,065)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:				
Depreciation	230	0	0	230
Donated Commodities Used During the Year	58,963	0	0	58,963
Interest Income	0	0	(6,375)	(6,375)
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	50	0	0	50
(Increase) Decrease in Prepaid Items	472	(1,874)	0	(1,402)
Decrease in Materials and Supplies Inventory	65	0	0	65
Decrease in Inventory Held for Resale	316	0	0	316
Decrease in Accrued Salaries and Benefits Payable	(2,752)	0	0	(2,752)
Decrease in Intergovernmental Payable	(392)	0	0	(392)
Increase in Deferred Revenue	0	3,066	0	3,066
Increase in Compensated Absences Payable	1,305	0	0	1,305
Decrease in Claims Payable	0	(58,545)	0	(58,545)
Net Cash Used for Operating Activities	(\$348,467)	(\$185,969)	(\$8,100)	(\$542,536)
Cash and Cash Equivalents - All Fiduciary Funds		\$70,129		
Cash and Cash Equivalents - Agency Funds		(67,354)		
Cash and Cash Equivalents - Non-Expendable Trust Fund		\$2,775		

See accompanying notes to the general purpose financial statements

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

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

Morgan Local School District is a countywide school district located in Morgan County, in the heart of Southeast Ohio, the Appalachian region of the State. The School District is nestled between Zanesville and Marietta on the scenic Muskingum River. Incorporating all of Morgan County's 421 square miles, the School District is, in terms of physical size, the third largest district in Ohio. The county is substantially rural with a population of 14,000.

The School District is a consolidation of seven small communities. Each community had a kindergarten through 12<sup>th</sup> grade building. In 1966, a consolidated high school was built to serve Morgan County and the seven different community buildings were converted to kindergarten through 8<sup>th</sup> grade buildings. The newest of the seven elementary buildings was built in 1935. The other buildings were built in the 1920's or earlier with the oldest building being built in the 1890's. Currently, the School District is building new school facilities. All existing elementary schools will be closed when construction is finished. Once complete, the School District will operate four elementary buildings, one middle school, and a high school.

The School District is staffed by 121 classified employees, 186 certificated full-time teaching personnel, and 13 administrators who provide services to 2,507 students and other community members. The School District currently operates eight instructional buildings, one administrative office site, and one garage.

**Reporting Entity:**

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

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

The School District is associated with two jointly governed organizations and one insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the general purpose financial statements.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

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

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

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

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

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

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust 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 major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**Proprietary Fund Types:**

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

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

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

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include a non-expendable trust fund and agency funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds; the principal of the trust must be preserved intact. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups:**

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

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

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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 operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received with sixty day of fiscal 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 taxes are levied. (See Note 7.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, 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. On a modified accrual basis of accounting, receivables that will not be collected within the available period have also been 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 the governmental funds.

**Morgan Local School District, Ohio**  
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The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the non-expendable trust fund. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Data**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**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 Morgan County Budget Commission for rate determination.

**Estimated Resources:**

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

**Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, 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

**Morgan Local School District, Ohio**  
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control. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The Treasurer has been given the authority to allocate appropriations among functions and objects within a fund during the fiscal year. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds other than agency funds, consistent with statutory provisions.

**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. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent fiscal year expenditures for governmental funds and reported in the notes to the financial statements for proprietary and trust funds.

**Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2001, investments consisted of STAR Ohio and Federal Agency Security Bonds, which are reported at fair value based on quoted market prices, and nonparticipating certificates of deposit, which are reported at cost.

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

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 \$193,393, which includes \$79,138 assigned from other School District funds.



**Morgan Local School District, Ohio**  
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The School District has a segregated bank account for a portion of the self insurance internal service fund and the payroll and athletic monies held separate from the School District's central bank account. These depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. Investments in the Capital Projects Funds represent Federal Agency Security Bonds purchased for investment earnings as part of the Classroom Facilities project.

**E. Inventory**

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

**F. Prepaid Items**

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

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District 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.

**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. The School District maintains a capitalization threshold of five hundred dollars. The School District does not capitalize infrastructure, as these assets are immovable and of value only to the School District.

**Morgan Local School District, Ohio**  
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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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

**I. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**J. Compensated Absences**

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

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

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

**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 that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds, long-term notes, capital leases, and the tax refund payable are reported as a liability of the general long-term obligations account group until due or until money has been provided for payment early in the following fiscal year.

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures 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 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.

At fiscal year end, the Emergency School Repair Capital Projects fund had a deficit cash balance of \$4,732. On a GAAP basis, the General Fund loaned the needed cash to this fund; therefore, the General Fund reflects an interfund receivable for \$4,732.

**M. Fund Balance Reserves and Designations**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of materials and supplies, property taxes, endowments, bus purchases, textbooks, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation 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. The reserve for endowments signifies the legal restrictions on the use of principal.

The School District had a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for textbooks required by State statute.

**N. Estimates**

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

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

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

*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, "Reporting for Certain Shared Nonexchange Revenues." These statements establish accounting and financial reporting standards for non-exchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from non-exchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The implementation of GASB 33 and 36 increased previously reported intergovernmental receivables by \$17,790 and \$15,671,327 in the Special Revenue and Capital Projects Funds and deferred revenue by \$15,671,327 in the Capital Projects Funds. The implementation of GASB Statements 33 and 36 and other restatements had the following effect on fund balance at June 30, 2000:

	Special Revenue	Debt Service	Capital Projects
Fund Balance at June 30, 2000	\$369,240	\$7,333,178	\$3,517,915
Implementation of GASB 33	17,790	0	0
Restatement of Cash Balance	0	(82,223)	82,223
Adjusted Fund Balance at June 30, 2000	\$387,030	\$7,250,955	\$3,600,138

The General Fixed Assets Account Group was understated by \$276,378 in the previous year. The Account Group's balance at June 30, 2000, increased from \$10,982,223 to \$11,258,601.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

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

Special Revenue Funds:

Disadvantaged Pupil Impact Aid	\$69,235
EMIS	66
Eisenhower Grant	81
Title VI-B	223

Capital Projects Fund:

Emergency Repair Fund	4,732
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Enterprise Fund:

Food Service	118,634
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Internal Service Fund:

Employee Benefits Self-Insurance	13,744
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**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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The deficits in the Special Revenue and Capital Projects Funds are the result of over expended grant resources. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur. The School District is analyzing proprietary fund operations to determine appropriate steps to alleviate the deficit retained earnings.

**B. Legal Compliance**

Contrary to Section 5705.41, Ohio Revised Code, the following accounts had appropriations in excess of estimated revenues:

	<u>Estimated Revenue</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Other Miscellaneous Funds	\$5,500	\$205,954	(\$200,454)
EMIS	1,860	11,686	(9,826)
DPIA	470,998	482,012	(11,014)
ONENet	0	51,000	(51,000)
Schoolnet Professional Development	4,000	8,000	(4,000)
Ohio Reads	280,980	295,419	(14,439)
Summer Intervention	0	24,667	(24,667)
Extended Learning	0	15,300	(15,300)
Other State Grants	35,994	155,279	(119,285)
Vocational Education	78,764	79,271	(507)
Continuous Improvement Program	27,000	44,991	(17,991)
Other Federal Grants	410,457	889,116	(478,659)
Capital Projects Funds:			
Building Project	20,304,188	24,727,779	(4,423,591)
Schoolnet	0	12,500	(12,500)
Technology Equity	25,014	50,142	(25,128)
Emergency Repair	245,476	300,923	(55,447)
Enterprise Fund:			
Lunchroom	655,045	694,404	(39,359)
Internal Service Fund:			
Employee Benefits	1,358,590	1,623,993	(265,403)

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**Morgan Local School District, Ohio**  
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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	\$119,976	\$424,825	(\$7,170,059)	\$6,455,226
Revenue Accruals	118,691	(257,227)	(32,154)	111,430
Expenditure Accruals	71,556	60,836	0	1,259,618
Prepaid Items	1,307	(3,438)	0	0
Principal Payment	0	0	(6,997,000)	0
Interest and Fiscal Charges	0	0	(182,731)	12,035
Advances In	359	0	0	0
Advances Out	0	0	0	(359)
Transfers In	0	0	0	(7,179,731)
Transfers Out	0	0	7,179,731	0
Outstanding Encumbrances (Budget Basis)	(697,736)	(213,186)	0	(9,422,720)
Budget Basis	<u>(\$385,847)</u>	<u>\$11,810</u>	<u>(\$7,202,213)</u>	<u>(\$8,764,501)</u>

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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Net Income (Loss)/Excess of Revenues Over (Under) Expenses  
All Proprietary Fund Types and  
Similar Trust Fund

	Enterprise	Internal Service	Non- Expendable Trust
GAAP Basis	(\$40,495)	\$171,384	(\$1,725)
Revenue Accrual	38,989	31,634	(6,375)
Expense Accrual	(895)	(68,614)	0
Prepaid Items	(472)	1,874	0
Materials and Supplies Inventory	65	0	0
Inventory Held for Resale	316	0	0
Depreciation Expense	230	0	0
Non-Budgeted Activity	0	(28,568)	0
Outstanding Encumbrances (Budget Basis)	(935)	(53,214)	(1,000)
Budget Basis	(\$3,197)	\$54,496	(\$9,100)

**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 or deposit accounts including passbook accounts.



**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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Protection of 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 to be deposited or invested in the following securities:

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$3,994,137 and the bank balance was \$7,584,955. Of the bank balance, \$577,473 was covered by federal depository insurance and \$7,007,482 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are categorized below 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. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Interest Rates	Category 3	Fair Value
Federal Agency Security	5.875%	\$7,428,644	\$7,428,644
STAR Ohio			3,134,907
			\$10,563,551

The Federal Agency Security has a maturity of July 2, 2001.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "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 classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$7,029,044	\$7,528,644
Investments of the Cash Management Pool:		
Certificates of Deposit	100,000	(100,000)
STAR Ohio	(3,134,907)	3,134,907
GASB Statement 3	\$3,994,137	\$10,563,551

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 7 - PROPERTY TAXES**

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

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

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

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

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

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

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

	<u>2000 Second- Half Collections</u>		<u>2001 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$110,206,200	70.0%	\$126,885,700	74.0%
Public Utility	20,727,950	13.2	20,790,600	12.0
Tangible Personal Property	<u>26,487,580</u>	<u>16.8</u>	<u>23,977,830</u>	<u>14.0</u>
Total Assessed Value	<u>\$157,421,730</u>	<u>100.0%</u>	<u>\$171,654,130</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	\$35.76		\$35.76	

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2001, was \$23,175 in the General Fund, \$3,195 in the Bond Retirement Fund, and \$579 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2000, was \$129,464, which is recognized as revenue in the General Fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, accrued interest, due from other funds, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
MRDD Reimbursement	\$6,729
Tuition Payments	8,826
MVESC Reimbursement	5,768
CAFS Reimbursement	35,952
Tech Prep Grant	12,392
Total General Fund	69,667
Special Revenue Funds:	
Alternative Education Project	129,312
Tech Prep Grant	19,285
Indicators of Success	4,032
VEPD	8,930
High Schools that Work	1,442
Comprehensive School Reform	125,000
School to Work	15,051
Reading Excellence Act	91,590
Total Special Revenue Funds	394,642
Capital Projects Funds:	
Emergency School Repair	12,592
School Facilities	1,617,334
Total Capital Projects Funds	1,629,926
Grand Total	<u>\$2,094,235</u>

**Morgan Local School District, Ohio**  
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On November 24, 1999, the School District was awarded \$19,915,686 for the construction of four new elementary schools and a middle school and renovations to the high school under the State's "Classroom Facilities Program". As of the end of fiscal year 2001, the School District had received \$18,285,760 of the amount awarded under this program. The remaining amount of \$1,629,926 is recorded as a receivable and a deferred revenue on the balance sheet.

**NOTE 9 - FIXED ASSETS**

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

Furniture and Equipment	\$87,673
Less Accumulated Depreciation	<u>(87,605)</u>
Net Fixed Assets	<u><u>\$68</u></u>

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

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$532,769	\$18,500	\$0	\$551,269
Buildings and Improvements	5,280,534	958,782	0	6,239,316
Furniture and Equipment	2,410,326	182,665	260,433	2,332,558
Vehicles	2,158,448	12,000	0	2,170,448
Construction in Progress	876,524	15,398,496	0	16,275,020
Total General Fixed Assets	<u><u>\$11,258,601</u></u>	<u><u>\$16,570,443</u></u>	<u><u>\$260,433</u></u>	<u><u>\$27,568,611</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for all of the insurances listed below. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$29,232,500
Comprehensive Boiler and Machinery (\$1,000 deductible)	14,758,900
Business Income or Extra Expense (\$1,000 deductible)	100,000
Automobile Liability (\$100 Comprehensive/\$500 collision)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Fire Damage (per fire)	100,000
Medical Expense (per person)	5,000
Total per year	5,000,000

**Morgan Local School District, Ohio**  
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Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 21). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical, dental, and vision insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The fund is responsible for \$100,000 in claims per individual per year. After that, stop-loss covers up to a lifetime maximum of \$1,000,000 per covered person. The School District had no occurrences in which settled claims exceeded coverage by the fund on an individual level in fiscal year 2001. Settled claims did not exceed coverage provided by the fund in the aggregate for the past three fiscal years.

The claims liability of \$106,722 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2000	\$159,504	\$1,322,312	\$1,316,549	\$165,267
2001	165,267	1,276,483	1,335,028	106,722

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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**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 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$83,508, \$90,485 and \$145,223, respectively; 32.68 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$56,215 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent (of which the School District picks up 5 percent) of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$480,711, \$495,736 and \$800,404, respectively; 79.84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$96,935 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$640,948 for fiscal year 2001.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$233,875.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.



**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for certified employees and a maximum of 225 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for certified and 55 days for classified employees.

**B. Other Employee Insurances**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource, in the amount of \$30,000 for all employees.

**NOTE 14 - CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the School District had contractual commitments for school building renovations and construction with various vendors in the amount of \$23,897,594. As of June 30, 2001, the School District paid \$15,881,251 on the project and the remaining balance on the contracts is \$8,016,343.

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for copier and risographier equipment and modular classrooms. Each lease meets 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.

Assets have been capitalized in the general fixed assets account group in the amount of \$116,321. 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 in fiscal year 2001 totaled \$23,241 in the governmental funds.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Fiscal Year Ending June 30,	GLTOAG
2002	\$28,544
2003	28,554
2004	8,383
Total	65,481
Less: Amount Representing Interest	(5,286)
Present Value of Net Minimum Lease Payments	\$60,195

**NOTE 16 - LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Energy Conservation:				
Long-Term Note - 5%	\$208,305	\$0	\$50,573	\$157,732
Improvement Bonds -5%	287,120	0	30,068	257,052
Long-Term Note - 5.9%	0	745,982	15,992	729,990
School Bus Acquisition				
Bonds - 4.5% to 4.8%	695,000	0	35,000	660,000
School Bus Acquisition				
Bonds - 4.45% to 4.75%	505,000	0	25,000	480,000
General Obligation Classroom				
Facilities Bonds -				
5.25% to 5.75%	7,003,428	55,682	0	7,059,110
Tax Refund	53,794	0	17,931	35,863
Capital Leases	76,433	7,000	23,241	60,192
Pension Obligation	119,545	133,829	119,545	133,829
Compensated Absences	1,023,038	149,061	97,379	1,074,720
Total General Long-Term Obligations	\$9,971,663	\$1,091,554	\$414,729	\$10,648,488

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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On April 6, 1994, the School District issued \$470,000 in an unvoted energy conservation long-term note for the purpose of improving, renovating, remodeling, enlarging, furnishing, equipping buildings and facilities, making site improvements for school purposes, and installations, modifications of installations, and remodeling of existing school buildings for energy conservation. The note was issued for a ten year period with final maturity during fiscal year 2004. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year obligations.

On December 15, 1997, the School District issued \$343,028 in energy conservation improvement bonds for the purpose of installation, modifications of installations, or remodeling that would significantly reduce energy consumption in buildings owned by the School District. The note was issued for a ten year period with final maturity during fiscal year 2008. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year obligations.

On September 26, 2000, the School District issued \$745,982 in an unvoted energy conservation long-term note for the purpose of improving, renovating, remodeling, enlarging, furnishing, equipping buildings and facilities, making site improvements for school purposes, and installations, modifications of installations, and remodeling of existing school buildings for energy conservation. The note was issued for a fifteen year period with final maturity during fiscal year 2016. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year obligations.

On September 1, 1998, and April 15, 1999, the School District issued \$1,245,000 in school bus acquisition bonds, \$725,000 and \$520,000 respectively, for the purpose of acquiring school buses. Both bonds were issued for a 15 year period with final maturity during fiscal year 2014. The debt will be repaid through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year obligations.

On April 18, 2000, the School District issued \$6,996,905 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty three year period with final maturity at December 1, 2022. The bonds will be retired through the Bond Retirement Debt Service Fund.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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The bond issue consists of serial, term, and capital appreciation bonds. The term bonds that mature in the year 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2016, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Date	Principal Amount to be Redeemed
2016	\$445,000
2017	475,000
2018	510,000
2019	590,000
2020	630,000
2021	675,000

The capital appreciation bonds mature December 1, 2011 thru 2015. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The accretion amount for fiscal year 2001 is \$55,682.

Principal, including \$1,083,685 accretion for the capital appreciation bonds, and interest requirements to retire the classroom facilities bonds outstanding at June 30, 2001, are as follows:

Fiscal Year	Principal	Interest	Total
2002	\$179,501	\$343,962	\$523,463
2003	198,746	337,269	536,015
2004	213,295	329,919	543,214
2005	253,371	321,387	574,758
2006	273,403	311,544	584,947
2007-2011	1,874,432	1,365,438	3,239,870
2012-2016	1,090,047	1,167,250	2,257,297
2017-2021	2,650,000	814,201	3,464,201
2022-2026	1,410,000	82,799	1,492,799
Total	\$8,142,795	\$5,073,769	\$13,216,564

**Morgan Local School District, Ohio**  
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Principal and interest requirements to maturity on the energy conservation long-term notes and bonds and the school bus acquisition bonds, including \$11,758, \$47,486, \$366,713, \$220,815, and \$157,671 in interest, respectively, are as follows:

Year Ending June 30	HB 264 Long-Term Note	HB 264 Bonds	HB 264 Long-Term Note	School Bus Acquisition Bonds	School Bus Acquisition Bonds
2002	\$59,820	\$43,634	\$75,636	\$69,700	\$51,337
2003	59,820	43,595	75,634	67,900	50,003
2004	49,850	43,553	75,635	66,100	48,667
2005	0	43,509	75,634	69,187	47,333
2006	0	43,464	75,635	67,163	50,886
2007-2011	0	86,783	378,176	336,845	244,826
2012-2016	0	0	340,353	203,920	144,619
2017-2021	0	0	0	0	0
2022-2023	0	0	0	0	0
Total	<u>\$169,490</u>	<u>\$304,538</u>	<u>\$1,096,703</u>	<u>\$880,815</u>	<u>\$637,671</u>

The tax refund of \$35,863 is a long-term obligation for a repayment of taxes to Texas Eastern Transmission Corporation, a public utility company, for tax years 1992 through 1996. The repayment of taxes will be deducted over five tax settlements by the Morgan County Auditor. No interest is required for the refund.

Year Ending June 30	Tax Refund
2002	\$17,931
2003	17,932
Total	<u>\$35,863</u>

The School District's overall legal debt margin was \$8,470,658, with an unvoted debt margin of \$171,654 at June 30, 2001.

Capital leases will be paid from the General Fund and the Disadvantaged Pupil Impact Aid, Title I, and Miscellaneous Federal Grants Special Revenue Funds. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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**NOTE 17 - NOTE ACTIVITY**

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

	Outstanding 06/30/00	Additions	Reductions	Outstanding 06/30/01
Classroom Facilities Capital Projects Fund:				
Classroom Facilities Bond				
Anticipation Notes - 4.52%	\$6,997,000	\$0	\$6,997,000	\$0

The notes were issued to finance the School District's portion of the Classroom Facilities Program until bonds were issued. The note, issued in December 1999, matured on July 14, 2000, and was retired with the bond proceeds.

**NOTE 18 - INTERFUND ACTIVITY**

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

<u>Due from/Due to Other Funds</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	\$549	\$51,354
Bond Retirement Debt Service Fund	43,503	0
Classroom Facilities Capital Projects Fund	7,851	0
Payroll Agency Fund	0	549
Total Due from/Due to Other Funds	\$51,903	\$51,903
<u>Interfund Receivable/Payable</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	\$4,732	\$0
Emergency Repair Capital Projects Fund	0	4,732
Total Interfund Receivable/Payable	\$4,732	\$4,732

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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**NOTE 19 - 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 Morgan Local School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$348,154	\$30,456	\$378,610
Depreciation Expense	230	0	230
Operating Loss	(404,457)	(2,267)	(406,724)
Donated Commodities	58,963	0	58,963
Operating Grants	290,447	0	290,447
Operating Transfers In	16,800	0	16,800
Net Loss	(38,228)	(2,267)	(40,495)
Net Working Capital	(93,614)	935	(92,679)
Total Assets	19,757	935	20,692
Long-Term Liabilities Paid from Fund Revenues	25,088	0	25,088
Total Equity (Deficit)	(118,634)	935	(117,699)
Encumbrances (Budget basis)	0	935	935

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)**

Southeastern Ohio Voluntary Education Cooperative is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 36 participants consisting of 27 school districts and 9 county boards of education. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Educational Consortium, Bobby Weiderner, who serves as Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

**Morgan Local School District, Ohio**  
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**B. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various inservice for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition.

**NOTE 21 - INSURANCE PURCHASING POOL**

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

**NOTE 22 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Effective April 10, 2001, Senate Bill 345 eliminated the Statutory requirement for a budget reserve. However, the amount of the budget reserve attributed to workers' compensation refunds continues to be set-aside to off-set a deficit or certain other statutory uses.

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



**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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	Textbooks/ Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-aside Reserve Balance as of June 30, 2000	\$53,521	(\$450,336)	\$170,928
Current Year Set-aside Requirement	268,227	268,227	0
Current Year Offsets	0	0	0
Reduction in Budget Stabilization based on Statutory Revision	0	0	(94,245)
Qualifying Disbursements	(275,181)	(1,108,656)	0
Total	<u>\$46,567</u>	<u>(\$1,290,765)</u>	<u>\$76,683</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$46,567</u>	<u>(\$1,290,765)</u>	<u>\$76,683</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$46,567</u>	<u>\$0</u>	<u>\$76,683</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years.

**NOTE 23 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**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 26, 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.

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$42,287	-	\$42,287	-
National School Lunch Program	n/a	10.555	268,955	-	268,955	-
Food Distribution Program	n/a	10.550	-	57,041	-	58,963
Total Nutrition Cluster			311,242	57,041	311,242	58,963
<b>Total U.S. Department of Agriculture</b>			311,242	57,041	311,242	58,963
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	048777C1S101 048777C1S100	84.010	749,094 0	-	546,671 224,475	-
			749,094	-	771,146	-
Special Education Cluster:						
Title VI-B Special Education Assistance for handicapped Children	0487776BSF01 0487776BSF00	84.027	167,700 0	-	150,141 25,073	-
Preschool Grants for Children	048777PGS101 048777PGS100	84.173	9,212 -	-	9,212 330	-
			176,912	-	184,756	-
Vocational Education	04877720C101 04877720C100	84.048	57,724 10,222	-	47,504 12,617	-
			67,946	-	60,121	-
Drug Free Schools	048777DRS101	84.186	25,378	-	25,378	-
			25,378	-	25,378	-
Goals 2000	048777G2S201 048777G2S200 048777G2S300 048777G2S299	84.276	18,000 27,000 - -	-	2,010 24,741 16,382 27,059	-
			45,000	-	70,192	-
Eisenhower Professional Dev. Grant	048777MSS101	84.281	14,510	-	14,510	-
			14,510	-	14,510	-
Innovative Education Program Strategies	048777C2S201 048777C2S200 048777C2S299	84.298	12,464 - -	-	7,554 2,155 942	-
			12,464	-	10,651	-
Comprehensive School Reform	048777RFS101 048777RFS100 048777RFS199	84.332	- 17,790 -	-	37,067 22,484 3,100	-
			17,790	-	62,651	-
Reading Excellence	048777RNS100	84.338	520,262	-	318,738	-
			520,262	-	318,738	-
Title VI-R Class Size Reduction	048777CRS101 048777CRS100	84.340	84,439 -	-	67,216 19,103	-
			84,439	-	86,319	-
<b>Total U.S. Department of Education</b>			1,713,795	-	1,604,462	-
<b><u>U.S. DEPARTMENT OF LABOR</u></b>						
Pass through Ohio Department of Education						
School to Work	048777WKBE01 048777WKBE00	17.249	19,558 76,971	-	17,491 79,702	-
<b>Total U.S. Department of Labor</b>			96,529	-	97,193	-
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
Pass through Ohio Department of MR/DD						
Medical Assistance - CAFS	n/a	93.778	75,101	-	75,101	-
<b>Total U.S. Department of Health and Human Services</b>			75,101	-	75,101	-
<b>Total Federal Awards Expenditures</b>			<b>\$ 2,196,667</b>	<b>\$ 57,041</b>	<b>\$ 2,087,998</b>	<b>\$ 58,963</b>

See notes to Schedule of Federal Awards Expenditures.

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTE A – Significant Account Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal awards programs. 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 the state grants. It is assumed that federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Morgan Local School District  
P.O. Box 509  
McConnelsville, Ohio 43756

We have audited the combined financial statements of Morgan Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

**Wolfe, Wilson, & Phillips, Inc.**  
Zanesville, Ohio  
November 14, 2001

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

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

Board of Education  
Morgan Local School District  
P.O. Box 509  
McConnelsville, Ohio 43756

**Compliance**

We have audited the compliance of Morgan Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. Morgan Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morgan Local School District management. Our responsibility is to express an opinion on Morgan Local School District 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan Local School District 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 Morgan Local School District compliance with those requirements.

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

### **Internal Control Over Compliance**

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

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

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

**Wolfe, Wilson, & Phillips, Inc.**

Zanesville, Ohio

November 14, 2001

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A – 133 SECTION .505**

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY  
JUNE 30, 2001**

**1. AUDITOR’S RESULTS**

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs’ Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	Reading Excellance #84.338 Nutrition Cluster: #10.550 thru 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

NONE

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

NONE





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MORGAN LOCAL SCHOOL DISTRICT**

**MORGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 10, 2002**