TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road, N.E.
Zoarville, Ohio 44656-9692

To the Board of Education:

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Jim Petro
Auditor of State

December 21, 2001

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents.	$ 1,846,869	$ 200,275	$ 396,125	$ 117,654	$ 70,303	$ 56	$ 57,783			$ 2,689,065
Equity and cash equivalents with a fiscal agent.						173,072				173,072
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent	4,457,261		600,178							5,057,439
Accounts.		306			2,280					2,586
Interfund loan receivable	174,176									174,176
Due from other governments		11,908			23,935					35,843
Prepayments	13,267									13,267
Materials and supplies inventory	29,086				9,899					38,985
Restricted assets:										
Equity in pooled cash and cash equivalents	219,069									219,069
Property, plant and equipment (net of accumulated depreciation where applicable).					117,560			14,462,262		14,579,822
OTHER DEBITS:										
Amount available in debt service fund . .									525,243	525,243
Amount to be provided for retirement of general long-term obligations									7,856,501	7,856,501
Total assets and other debits	$ 6,739,728	$ 212,489	$ 996,303	$ 117,654	$ 223,977	$ 173,128	$ 57,783	$ 14,462,262	$ 8,381,744	$ 31,365,068

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

--Continued

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	$ 54,661	$ 19,917		$ 55,473	$ 17,182					$ 147,233
Accrued wages and benefits	872,635	44,843			37,116					954,594
Compensated absences payable	6,804				54,427				880,556	941,787
Claims payable						396,053				396,053
Pension obligation payable	137,024	5,358			14,096				76,306	232,784
Interfund loan payable		1,074			30	173,072				174,176
Deferred revenue	3,440,648	11,908	471,060		7,687					3,931,303
Due to other governments	3,430									3,430
Due to students							57,783			57,783
General obligation bond payable									6,704,195	6,704,195
Energy conservation loans payable									520,000	520,000
Capital lease obligation									200,687	200,687
Total liabilities	4,515,202	83,100	471,060	55,473	130,538	569,125	57,783		8,381,744	14,264,025
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								14,462,262		14,462,262
Contributed capital					20,025					20,025
Retained earnings (accumulated deficit): unreserved					73,414	(395,997)				(322,583)
Fund balances:										
Reserved for encumbrances	174,058	11,560		60,844						246,462
Reserved for prepayments	13,267									13,267
Reserved for materials and supplies inventory	29,086									29,086
Reserved for debt service			396,125							396,125
Reserved for tax revenue unavailable for appropriation	1,016,613		129,118							1,145,731
Reserved for school bus purchase allowance	45,443									45,443
Reserved for BWC refunds	43,280									43,280
Reserved for textbooks	92,929									92,929
Reserved for capital acquisition	37,417									37,417
Unreserved - undesignated (deficit)	772,433	117,829		1,337						891,599
Total equity and other credits	2,224,526	129,389	525,243	62,181	93,439	(395,997)		14,462,262		17,101,043
Total liabilities, equity and other credits	$ 6,739,728	$ 212,489	$ 996,303	$ 117,654	$ 223,977	$ 173,128	$ 57,783	$ 14,462,262	$ 8,381,744	$ 31,365,068

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

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

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:					
From local sources:					
Taxes	$ 3,929,470		$ 600,521	$ 48	$ 4,530,039
Tuition	11,764				11,764
Earnings on investments	192,296			119	192,415
Extracurricular activities		163,300			163,300
Other local revenues	40,198	17,289			57,487
Intergovernmental - State	4,613,470	220,620	62,176	127,525	5,023,791
Intergovernmental - Federal		243,296			243,296
Total revenue	8,787,198	644,505	662,697	127,692	10,222,092
Expenditures:					
Current:					
Instruction:					
Regular	4,438,663	208,998			4,647,661
Special	589,120	103,969		59,653	752,742
Vocational	114,643				114,643
Support services:					
Pupil	283,527	18,858			302,385
Instructional staff	333,938	87,149		59,690	480,777
Board of education	29,058				29,058
Administration	871,716	46,175		322	918,213
Fiscal	237,704	415	9,693		247,812
Operations and maintenance	897,836			1,550	899,386
Pupil transportation	674,841	26,170			701,011
Central	1,658	5,400			7,058
Extracurricular activities	205,278	152,409			357,687
Facilities acquisition and construction	2,580			76,996	79,576
Capital outlay	206,771				206,771
Debt service:					
Principal retirement	6,084		415,000		421,084
Interest and fiscal charges	2,849		267,859		270,708
Total expenditures	8,896,266	649,543	692,552	198,211	10,436,572
Excess (deficiency) of revenues (under) expenditures	(109,068)	(5,038)	(29,855)	(70,519)	(214,480)
Other financing sources (uses):					
Operating transfers out	(99,880)				(99,880)
Proceeds from sale of fixed assets	700				700
Inception of capital lease	206,771				206,771
Total other financing sources (uses)	107,591				107,591
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,477)	(5,038)	(29,855)	(70,519)	(106,889)
Fund balances, July 1	2,228,749	134,427	555,098	132,700	3,050,974
Decrease in reserve for inventory	(2,746)				(2,746)
Fund balances, June 30	$ 2,224,526	$ 129,389	$ 525,243	$ 62,181	$ 2,941,339

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

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT

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

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	$ 4,172,469	$ 4,312,740	$ 140,271				$ 530,000	$ 551,181	$ 21,181	$ 37	$ 48	$ 11	$ 4,702,506	$ 4,863,969	$ 161,463
Tuition	500	11,763	11,263										500	11,763	11,263
Earnings on investments	96,400	192,296	95,896							94	119	25	96,494	192,415	95,921
Extracurricular activities				148,925	163,431	14,506							148,925	163,431	14,506
Other local revenues	14,000	40,198	26,198	94,324	16,851	(77,473)							108,324	57,049	(51,275)
Intergovernmental - State	4,612,500	4,592,617	(19,883)	194,205	220,620	26,415	57,000	62,176	5,176	99,430	127,525	28,095	4,963,135	5,002,938	39,803
Intergovernmental - Federal				214,166	243,296	29,130							214,166	243,296	29,130
Total revenues	8,895,869	9,149,614	253,745	651,620	644,198	(7,422)	587,000	613,357	26,357	99,561	127,692	28,131	10,234,050	10,534,861	300,811
Expenditures:															
Current:															
Instruction:															
Regular	4,522,057	4,472,662	49,395	250,630	208,677	41,953				73,000	59,653	13,347	4,845,687	4,740,992	104,695
Special	574,375	571,970	2,405	113,132	101,723	11,409							687,507	673,693	13,814
Vocational	120,090	112,694	7,396										120,090	112,694	7,396
Support services:															
Pupil	278,943	271,054	7,889	30,264	22,882	7,382							309,207	293,936	15,271
Instructional staff	345,087	333,001	12,086	97,419	82,360	15,059				60,622	71,151	(10,529)	503,128	486,512	16,616
Board of Education	28,832	28,805	27										28,832	28,805	27
Administration	894,215	878,567	15,648	50,763	45,710	5,053				2,000	322	1,678	946,978	924,599	22,379
Fiscal	255,891	239,420	16,471	1,000	415	585	10,000	9,693	307				266,891	249,528	17,363
Business	12,000	11,911	89										12,000	11,911	89
Operations and maintenance	955,047	902,102	52,945							18,700	23,564	(4,864)	973,747	925,666	48,081
Pupil transportation	841,109	757,371	83,738	37,249	25,769	11,480							878,358	783,140	95,218
Central	9,397	1,658	7,739	21,900	5,400	16,500							31,297	7,058	24,239
Extracurricular activities	196,900	196,545	355	152,471	160,030	(7,559)							349,371	356,575	(7,204)
Facilities acquisition and construction.	8,000	2,580	5,420							109,495	104,550	4,945	117,495	107,130	10,365
Debt service:															
Principal retirement	60,000	60,000	0				355,000	355,000	0				415,000	415,000	0
Interest and fiscal charges	32,500	31,974	526				235,885	235,885					268,385	267,859	526
Total expenditures	9,134,443	8,872,314	262,129	754,828	652,966	101,862	600,885	600,578	307	263,817	259,240	4,577	10,753,973	10,385,098	368,875
Excess (deficiency) of revenues over (under) expenditures	(238,574)	277,300	515,874	(103,208)	(8,768)	94,440	(13,885)	12,779	26,664	(164,256)	(131,548)	32,708	(519,923)	149,763	669,686
Other financing sources (uses):															
Refund of prior year's expenditures	0	23,054	23,054										0	23,054	23,054
Refund of prior year's receipts				(1,101)	(1,101)	0							(1,101)	(1,101)	0
Operating transfers in				540	614	74							540	614	74
Operating transfers out	(99,900)	(99,880)	20	0	(175)	(175)							(99,900)	(100,055)	(155)
Advances in	0	124,244	124,244	41,667	47,335	5,668							41,667	171,579	129,912
Advances out	(241,650)	(241,630)	20	(19,353)	(48,151)	(28,798)							(261,003)	(289,781)	(28,778)
Proceeds from sale of fixed assets	0	700	700										0	700	700
Total other financing sources (uses)	(341,550)	(193,512)	148,038	21,753	(1,478)	(23,231)							(319,797)	(194,990)	124,807
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(580,124)	83,788	663,912	(81,455)	(10,246)	71,209	(13,885)	12,779	26,664	(164,256)	(131,548)	32,708	(839,720)	(45,227)	794,493
Fund balances, July 1	1,344,720	1,344,720	0	151,700	151,700	0	383,346	383,346	0	85,290	85,290	0	1,965,056	1,965,056	0
Prior year encumbrances appropriated	424,863	424,863	0	28,641	28,641	0	0	0	0	47,595	47,595	0	501,099	501,099	0
Fund balances, June 30	$ 1,189,459	$ 1,853,371	$ 663,912	$ 98,886	$ 170,095	$ 71,209	$ 369,461	$ 396,125	$ 26,664	$ (31,371)	$ 1,337	$ 32,708	$ 1,626,435	$ 2,420,928	$ 794,493

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

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Operating revenues:			
Tuition and fees	$ 50,001		$ 50,001
Sales/charges for services	282,624	1,188,901	1,471,525
Total operating revenues	332,625	1,188,901	1,521,526
Operating expenses:			
Personal services	281,789	76,213	358,002
Contract services	3,376		3,376
Materials and supplies	223,649		223,649
Depreciation	13,108		13,108
Claims expense		1,226,421	1,226,421
Total operating expenses	521,922	1,302,634	1,824,556
Operating loss	(189,297)	(113,733)	(303,030)
Nonoperating revenues (expenses):			
Operating grants	112,258		112,258
Loss on disposal of fixed assets	(2,887)		(2,887)
Interest revenue	1,218	65	1,283
Federal commodities	23,894		23,894
Total nonoperating revenues (expenses)	134,483	65	134,548
Net loss before operating transfers	(54,814)	(113,668)	(168,482)
Operating transfers in	95,221		95,221
Net income (loss)	40,407	(113,668)	(73,261)
Retained earnings (accumulated deficit) at July 1	33,007	(282,329)	(249,322)
Retained earnings (accumulated deficit) at June 30	$ 73,414	$ (395,997)	$ (322,583)

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

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees.	$ 48,136		$ 48,136
Cash received from sales/service charges.	282,624	1,188,901	1,471,525
Cash payments for personal services	(265,012)	(76,213)	(341,225)
Cash payments for contract services	(3,112)		(3,112)
Cash payments for supplies and materials	(175,313)		(175,313)
Cash payments for claims expenses.		(1,144,033)	(1,144,033)
Net cash used in operating activities	(112,677)	(31,345)	(144,022)
Cash flows from noncapital financing activities:			
Cash received from operating grants	103,276		103,276
Operating transfers in from other funds	95,221		95,221
Cash received from interfund loans.	19,903	173,072	192,975
Cash payments used in repayment of interfund loans.	(74,773)		(74,773)
Net cash provided by noncapital financing activities.	143,627	173,072	316,699
Cash flows from investing activities:			
Interest received	1,218	65	1,283
Net cash provided by investing activities.	1,218	65	1,283
Net increase in cash and cash equivalents	32,168	141,792	173,960
Cash and cash equivalents at beginning of year . .	38,135	31,336	69,471
Cash and cash equivalents at end of year	70,303	173,128	243,431
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	(189,297)	(113,733)	(303,030)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation.	13,108		13,108
Federal donated commodities	23,894		23,894
Changes in assets and liabilities:			
Increase in accounts receivable	(1,865)		(1,865)
Decrease in materials and supplies inventory. .	7,703		7,703
Increase in accounts payable	15,132		15,132
Increase in accrued wages and benefits.	9,388		9,388
Increase in compensated absences payable. . .	5,244		5,244
Increase in pension obligation payable	2,145		2,145
Increase in claims payable		82,388	82,388
Increase in deferred revenue	1,871		1,871
Net cash used in operating activities.	$ (112,677)	$ (31,345)	$ (144,022)

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

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TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District ranks as the 329th largest by total enrollment among the 682 public and community school districts in the State. It operates under a locally-elected, five-member board and provides educational services as authorized and mandated by state and federal agencies. The Board controls the District's 5 instructional support facilities staffed by 72 classified employees and 110 certificated teaching personnel, and 6 administrators, who provide services to 1,736 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District (JVSD)
The Buckeye Joint Vocational School District (JVSD) is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVSD's Board of Education is comprised of representatives from the Board of each participating school district. THE JVSD's Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the JVSD's Board. During fiscal year 2001, no monies were paid to the JVSD by the District.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)
OME-RESA is a not-for-profit computer service organization whose primary function is to provide information technology services to it member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

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

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by 49 member school districts in 10 different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

<u>Tuscarawas County Tax Incentive Review Council (TCTIRC)</u>
The TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to Ohio Rev. Code Section 5705.62. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the County Auditor's office and 8 members appointed by boards of education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. The body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of the TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no measurable equity interest exists.

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

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan
The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)
The District participates in the OME-RESA Self-Insurance Plan, a claims servicing pool comprised of 50 members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine-member Board of Directors elected from OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

B. Fund Accounting

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

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

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

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

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

PROPRIETARY FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year) and accounts (student fees and tuition). Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2001 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as an advance at June 30. This amount is recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

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

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

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

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

D. Budgets

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

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

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

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

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund and function level of General Fund expenditures and fund level of expenditures for all other funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

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

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

   Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 13 provides disclosure of the encumbrances outstanding for the enterprise funds at fiscal year-end.

E. Cash and Investments

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

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

During fiscal year 2001, investments were limited to STAR Ohio and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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

Under existing Ohio statute, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the Building capital projects fund. Interest is also credited to the Food Service enterprise fund based upon federal mandate. Interest revenue credited to the general fund during fiscal 2001 amounted to $192,296, which includes $55,365 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than 3 months are reported as investments.

An analysis of the District's investments at year-end is provided in Note 4.

F. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than one year. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

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

2. *Proprietary Funds*

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

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

G. Intergovernmental Revenues

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

Entitlements

General Fund
- State Foundation Program
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds
- Title VI-B
- Education Management Information Systems
- Title I
- Drug-Free Grant
- Preschool Program
- Title VI
- Professional Development Block Grant
- School Improvement

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

Non-Reimbursable Grants - (Continued)

Special Revenue Funds - (Continued)
Ohio Reads
Safe School Help Line
Telecommunications (E-Rate)
Title VI-R
Youth Services
Elementary Remediation/Intervention
Network Connectivity
Summer School Subsidy
Extended Learning
Eisenhower

Capital Projects Funds
SchoolNet Plus
Permanent Improvement
Interactive Video Distance Learning

Reimbursable Grants

General Fund
Driver Education Reimbursement

Enterprise Fund
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 52% of the District's operating revenue during the 2001 fiscal year.

H. Compensated Absences

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

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

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

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

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

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

J. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, materials and supplies inventory, debt service, tax advance unavailable for appropriation, Bureau of Worker's Compensation (BWC) refunds, textbooks, capital acquisition and school bus purchase allowance. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under State Statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

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

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

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

An analysis of interfund transactions is presented in Note 5.

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

L. Inventory

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

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

M. Prepayments

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

N. Contributed Capital

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 18 for details.

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

P. Estimates

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

Q. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

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

B. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2001 included the following individual fund deficits:

	Deficit Balances
Special Revenue Funds	
Eisenhower	$ 1,241
Title I	5,389
Internal Service Fund	
Employee Benefits Self-Insurance	396,053

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

The deficit fund balances in the Eisenhower and Title I special revenue funds are a result of accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues not recognized at June 30.

The deficit retained earning in the Employee Benefits Self-Insurance internal service fund is a result of the application of GAAP, namely in the recognition of a liability for claims related to the fiscal year and the recognition of an interfund loan payable as a fund liability rather than as “nonoperating revenue.” This deficit will be eliminated as premiums are received to pay these claims and interfund loan.

C. Agency Funds

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

LIABILITIES	
Accounts Payable	$303

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Active Monies: those monies required to be kept in a “cash” or “near-cash” status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) account, or in money market deposit accounts.

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

Inactive Monies: those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook account.

Interim Monies: 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 monies 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 pass book accounts.

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

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

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

Cash with fiscal agent: At June 30, 2001, the District had a negative cash balance with the Ohio Mid-Eastern Regional Education Service Agency of $173,072. This amount has been reflected on the balance sheet as "Due To Other Governments". Cash in the amount of $173,072, reported in the Employee Benefits Self-Insurance internal service fund at June 30, 2001, represents an advance from the general fund. This amount is equally offset on the balance sheet by the liability account "Interfund Loans Payable".

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

Deposits: At year-end, the carrying amount of the District's deposits was $(40,548) and the bank balance was $175,080. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments". Of the bank balance:

1. $100,000 was covered by federal deposit insurance.

2. $75,080 was uninsured and unregistered because it was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	$233,852	$ 233,852	$ 233,852
Investment in STAR Ohio		2,887,902	2,887,902
Total investments		$3,121,754	$3,121,754

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	$ 3,081,206	$ 0
Investments of the cash management pool:		
Repurchase agreement	(233,852)	233,852
Investment in STAR Ohio	(2,887,902)	2,887,902
GASB Statement No. 3	$ (40,548)	$3,121,754

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	$174,176	$ - - -
Special Revenue Fund		
Title I	- - -	1,074
Enterprise Funds		
Uniform School Supplies	- - -	30
Internal Service Fund		
Employee Benefits Self-Insurance	- - -	173,072
Totals	$174,176	$174,176

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	Transfers In	Transfers Out
General Fund	$ - - -	$99,880
Enterprise Funds		
Uniform School Supplies	7,221	- - -
Food Service	88,000	- - -
Totals	$95,221	$99,880

Transfers-in and out do not reconcile due to a $4,659 transfer from the General Fund to the Agency Fund Student Managed Activity Fund.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year operates from July through June. Real property tax collections by the County are remitted to the School District a year after they are assessed by the County. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

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

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was $158,539,175. Agricultural/residential and public utility/minerals real estate represented $118,499,560 or 74.74% of this total, commercial & industrial real estate represented $17,746,040 or 11.20% of this total, public utility tangible represented $7,267,875 or 4.58% of this total and general tangible property represented $15,025,700 or 9.48% of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was $35.60 per $1,000.00 of assessed valuation for operations, and $3.80 per $1,000.00 of assessed valuation for debt service.

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

The Tuscarawas and Stark County Treasurers collect real estate property taxes on behalf of the District. The respective County Auditors periodically remit to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The Tuscarawas and Stark County Treasurers collect personal property taxes on behalf of all taxing districts within the Counties. The respective County Auditors periodically remit to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although, total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount of tax advance available at year-end was $1,145,731 and has been recorded as revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with Ohio Rev. Code Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

NOTE 7 - RECEIVABLES

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

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current & delinquent	$4,457,261
Interfund loan receivable	174,176
Special Revenue Fund	
Due from other governments	11,908
Debt Service Fund	
Taxes - current & delinquent	600,178
Enterprise Fund	
Due from other governments	23,935

NOTE 8 - FIXED ASSETS

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

	Balance July 1, 2000	Increase	Decrease	Balance June 30, 2001
Land/improvements	$ 569,300	$ - - -	$ - - -	$ 569,300
Buildings/improvements	8,650,133	300,000	- - -	8,950,133
Furniture/equipment	3,675,702	397,478	(33,405)	4,039,775
Vehicles	875,392	100,896	(73,234)	903,054
Construction in progress	261,250	38,750	(300,000)	0
Total	$14,031,777	$837,124	$(406,639)	$14,462,262

NOTE 8 - FIXED ASSETS - (Continued)

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

Furniture and equipment	$ 315,784
Less: accumulated depreciation	(198,224)
Net fixed assets	$ 117,560

NOTE 9 - CONTRIBUTED CAPITAL

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

	Food Service
Contributed capital, July 1, 2000	$20,025
Current contributions from other funds	- - -
Contributed capital, June 30, 2001	$20,025

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

During fiscal year 2001, the District entered into a capital lease for phone equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined GPFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of $206,771. 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. The principal and interest payments are being made out of the general fund. Principal payments in fiscal year 2001 totaled $6,084.

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE - (Continued)

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

Fiscal Year Ending June 30,	Amount
2002	$ 35,733
2003	35,733
2004	35,733
2005	35,733
2006	35,733
2007	35,733
2008	26,800
Total	241,198
Less: amount representing interest	(40,511)
Present value of net minimum lease payments	$200,687

NOTE 11 - LONG-TERM OBLIGATIONS

A. On June 3, 1999, the District issued $6,949,981 general obligation various purpose refunding bonds. The issue is comprised of both current interest bonds, par value $5,980,000, and capital appreciation bonds, par value $969,981. The interest rates on the current interest bonds range from 3.40% to 5.35%. The proceeds of the bonds were used to advance refund the District's 1995 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunding bonds at June 30, 2001 was $6,575,000.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying GPFS.

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds mature in various installments between December 1, 2013 and December 1, 2019 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds have effective interest rates between 8.0839% and 8.9204%. The present value reported in the general long-term obligations account group at June 30, 2001 was $1,329,195. A total of $359,214 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30,2001.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity state din the issue is December1, 2012.

The following is a schedule of activity for fiscal 2001 for the 1999 series general obligation bonds:

	Balance July 1, 2000	Appreciation	Reductions	Balance June 30, 2001
Current interest bonds	$5,730,000	$0	($355,000)	$5,375,000
Capital appreciation bonds	969,981	359,214	0	1,329,195
Total G.O. bonds	$6,699,981	$359,214	($355,000)	$6,704,195

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the debt service requirements to maturity for the 1999 series general obligation bonds:

	Current Interest Bonds			Capital Appreciation Bonds		
Fiscal Year Ending	Principal	Interest	Total	Principal	Interest	Total
2002	$355,000	$222,839	$577,839			
2003	370,000	209,060	579,060			
2004	385,000	194,334	579,334			
2005	400,000	178,730	578,730			
2006	420,000	162,120	582,120			
2007-2011	2,355,000	523,020	2,878,020			
2012-2020	1,090,000	51,017	1,141,017	466,035	1,283,965	1,750,000
2017-2021				503,946	1,831,054	2,335,000
Total	$5,375,000	$1,541,120	$6,916,120	$969,981	$3,115,019	$4,085,000

B. The District also has energy conservation loans outstanding at June 30, 2001. The energy conservation loans were issued in fiscal years 1997 and 2000 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from an energy conservation project under House Bill 264. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group.

C. The following is a description of the District's long-term debt obligations outstanding as of June 30, 2001:

	Interest Rates	Maturity Date	Outstanding July 1, 2000	Appreciation in 2001	Retired in 2001	Outstanding June 30, 2001
General Obligation Bonds	3.40%-5.35%	12/01/19	$6,699,981	$ - - -	$(355,000)	$6,344,981
Accretion of Capital Appreciation Bonds		12/01/19	0	359,214	0	359,214
Energy Conservation Loans	5.70%	Various	580,000	- - -	(60,000)	520,000
Total			$7,279,981	$359,214	$(415,000)	$7,224,195

D. The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

Fiscal Year Ending	Principal on Debt	Interest on Debt	Total
2002	$ 415,000	$ 239,819	$ 654,819
2003	435,000	224,617	659,617
2004	450,000	208,296	658,296
2005	470,000	191,038	661,038
2006	495,000	172,462	667,462
2007 - 2011	2,540,000	544,554	3,084,554
2012 - 2016	1,556,035	1,334,981	2,891,016
2017 - 2020	503,946	1,831,054	2,335,000
Total	$6,864,981	$4,746,821	$11,611,802

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid. Compensated absences and the pension obligation are presented net of actual increases and decreases because of the practicality of determining these values.

	Balance July 1, 2000	Increase	Decrease	Balance June 30, 2001
Compensated absences	$ 843,353	$ 37,203	$ - - -	$ 880,556
Pension obligation payable	56,831	76,306	(56,831)	76,306
General obligation bond payable	6,699,981	- - -	(355,000)	6,344,981
Accretion of capital Appreciation bonds	0	359,214	0	359,214
Energy conservation loans	580,000	- - -	(60,000)	520,000
Capital lease obligation	0	206,771	(6,084)	200,687
Total	$8,180,165	$679,494	$(477,915)	$8,381,744

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of $8,422,171 (including available funds of $498,626) and an unvoted debt margin of $158,539.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Indiana Insurance Company for property and fleet insurance. Coverages provided by Indiana Insurance are as follows:

Building and Contents - replacement cost ($1,000 deductible), Boiler and Machinery ($1,000 deductible), and Inland Marine Coverage ($50 deductible)	$26,521,000
Automobile Liability - collision ($1,000 deductible)	2,000,000
Uninsured Motorists ($0 deductible)	2,000,000

Professional liability is protected by The Nationwide Insurance Company with a $1,000,000 single occurrence limit, a $5,000,000 aggregate limit, and no deductible. The Nationwide Insurance Company also maintains $25,000 public official bonds for the Board President, Superintendent, and Assistant Treasurer, as well as a $25,000 bond for the Treasurer. In addition, the Utica National Insurance Group provides public employee blanket bond for other employees.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The District provides employee medical/surgical benefits through a self-insured plan and maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The plan provides medical/surgical coverage, which is 100% paid of reasonable and customary charges. Major medical expense coverage includes a $100 individual and $200 family deductible followed by a 10% employee co-payment. A third party administrator, Gallagher Benefit Administrators, Inc., reviews all claims, which are then paid by OME-RESA Health Benefits. The District purchases stop-loss coverage of $50,000 per individual from Lexington Insurance Company through OME-RESA Health Benefits. The District also provides dental and vision coverage on this self-insured basis. The premiums are paid by the District at a rate of 100% for all employees. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

NOTE 12 - RISK MANAGEMENT - (Continued)

Total required monthly premiums for coverage are as follows:

	Family	Individual
Medical/Surgical	$580.69	$253.12
Dental	43.40	43.40
Vision	16.22	5.98

The liability for unpaid claims of $176,655 reported in the internal service fund at June 30, 2001, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Fiscal Year	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2000 - 2001	$313,665	$1,226,421	$(1,144,033)	$396,053
1999 - 2000	99,007	970,604	(755,946)	313,665

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	Food Service	Uniform School Supplies	Total
Operating revenue	$ 282,624	$50,001	$ 332,625
Operating expense before depreciation	465,822	42,992	508,814
Depreciation	13,108	- - -	13,108
Operating income (loss)	(196,306)	7,009	(189,297)
Operating grants	112,258	- - -	112,258
Federal donated commodities	23,894	- - -	23,894
Net income	26,177	14,230	40,407
Net working capital	(12,648)	42,954	30,306
Total assets	164,075	59,902	223,977
Total liabilities	113,590	16,948	130,538
Contributed capital	20,025	- - -	20,025
Total equity	50,485	42,954	93,439
Encumbrances Outstanding at June 30	1,070	21,386	22,456

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were $180,785, $167,826, and $139,481, respectively; 45.34% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. $98,820, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were $647,578, $605,610, and $542,176, respectively; 82.45% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. $113,636, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $208,150 during fiscal 2001.

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

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

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

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were $140.7 million and the target level was $211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of $252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $146,010 during the 2001 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budgetary basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budgetary basis	$ 83,788	$(10,246)	$12,779	$(131,548)
Net adjustment for revenue accruals	(362,416)	307	49,340	- - -
Net adjustment for expenditure accruals	(236,519)	(26,757)	(91,974)	(55,288)
Net adjustment for other financing sources (uses)	301,103	1,478	- - -	- - -
Encumbrances (budget basis)	212,567	$ 30,180	$ - - -	$ 116,317
GAAP basis	$ (1,477)	$ (5,038)	$(29,855)	$ (70,519)

NOTE 17 - CONTINGENCIES

A. Grants

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

NOTE 17 - CONTINGENCIES - (Continued)

B. Litigation

This District is a party to legal proceedings; however, in the opinion of District management, the impact of these proceedings, if any, would not have a material effect on the financial statements.

C. State School Funding Decision

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

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 21, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

NOTE 18 - STATUTORY RESERVES

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of June 30, 2000	$ 97,391	$ 111,145	$ 163,809
Current year set-aside requirement	218,442	218,442	- - -
Resolution authorized by legislative restrictions	- - -	- - -	(120,529)
Current year offsets	- - -	- - -	- - -
Qualifying disbursements	(222,904)	(292,170)	- - -
Total	$ 92,929	$ 37,417	$ 43,280
Cash balance carried forward to FY 2002	$ 92,929	$ 37,417	$ 43,280

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

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

Amount restricted for school bus purchase	$ 45,443
Amount restricted for BWC refunds	43,280
Amount restricted for textbooks	92,929
Amount restricted for capital acquisition	37,417
Total restricted assets	$219,069

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TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	$0	$25,764	$0	$23,893
National School Breakfast Program	N/A	10.553	6,510	0	6,510	0
National School Lunch Program	N/A	10.555	92,053	0	92,053	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			98,563	25,764	98,563	23,893
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Title I Grants to Local Educational Agencies	C1-S1-00	84.010	0	0	13,558	0
	C1-S1-01		93,176	0	82,016	0
Total Title 1 Grants to Local Educational Agencies			93,176	0	95,574	0
Innovative Education Program Strategies	C2-S1-00	84.298	0	0	6,888	0
	C2-S1-01		1,524	0	0	0
Total Innovative Education Program Strategies			1,524	0	6,888	0
Special Education Cluster:						
Special Education_Grants to States	6B-SF-00	84.027	0	0	17,061	0
	6B-SF-01		114,036	0	96,902	0
Total Special Education Cluster			114,036	0	113,963	0
Safe and Drug-Free Schools and Communities_	DR-S1-00	84.186	0	0	5,203	0
State Grant	DR-S1-01		2,128	0	715	0
Total Safe and Drug-Free Schools and Communities_ State Grant			2,128	0	5,918	0
Class Size Reduction	CR-S1-00	84.340	0	0	6,043	0
	CR-S1-01		25,977	0	20,461	0
Total Class Size Reduction			25,977	0	26,504	0
Eisenhower Professional Development State Grants		84.281	5,253	0	3,162	0
Total U.S. Department of Education			242,094	0	252,009	0
Totals			$340,657	$25,764	$350,572	$23,893

See accompanying Notes to the Schedule of Receipts and Expenditures of Federal Awards

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award 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 State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had food commodities valued at $7,687 in inventory.

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

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road, N.E.
Zoarville, Ohio 44656-9692

To the Board of Education:

We have audited the general purpose financial statements of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 21, 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 District in a separate letter dated December 21, 2001.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 21, 2001.

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

Jim Petro
Auditor of State

December 21, 2001

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

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road, N.E.
Zoarville, Ohio 44656-9692

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 21, 2001

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster: CFDA #10.550, #10.553, and #10.555 Special Education Cluster: CFDA #84.027 and #84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

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TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS 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 15, 2002