



**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Garaway Local School District
Tuscarawas County
146 Dover Avenue
P.O. Box 339
Sugarcreek, Ohio 44681

To the Board of Education:

We have audited the accompanying general purpose financial statements of Garaway Local School District, Tuscarawas County, (the District) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2000, 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.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for the purpose of additional analysis as required by the 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, 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 18, 2000

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service		Agency	General	Long-Term Obligations		
									Fixed Assets			
ASSETS AND OTHER DEBITS												
ASSETS:												
Equity in pooled cash and cash equivalents	\$2,234,543	\$128,283	\$138,046	\$588,765	\$26,074	\$182,432	\$38,637				\$3,154,348	
Cash in segregated accounts											182,432	
Receivables (net of allowances of uncollectibles):												
Property taxes - current & delinquent	3,670,778		216,518	215,231							4,102,527	
Accounts	107	1,581									1,688	
Accrued interest	7,809										7,809	
Intergovernmental receivables	450										450	
Materials and supplies inventory					512						512	
Inventory held for resale					7,180						7,180	
Restricted assets:												
Equity in pooled cash and cash equivalents	109,701										109,701	
Property, plant and equipment (net of accumulated depreciation where applicable)					31,419				\$6,895,712		6,927,131	
OTHER DEBITS:												
Amount available in debt service fund									\$203,002		203,002	
Amount to be provided for retirement of general long-term obligations									2,527,461		2,527,461	
Total assets and other debits	\$6,023,388	\$129,864	\$354,564	\$803,996	\$65,185	\$182,432	\$38,637	\$6,895,712	\$2,730,463		\$17,224,241	

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

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(Continued)

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

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise		Agency	General	
						Fixed Assets			
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$21,482	\$8,759		\$115,980	\$150				\$30,391
Contracts payable					23,276				115,980
Accrued wages and benefits	660,224	51,015			5,421			\$283,228	734,515
Compensated absences payable	11,710				13,481			53,742	300,359
Intergovernmental payable	102,376	5,724							175,323
Undistributed monies						\$2,804			2,804
Deferred revenue	2,698,714		\$151,562	154,306	2,771				3,007,353
Due to students						35,833			35,833
Claims payable									90,836
General obligation bonds payable					\$90,836				1,820,000
Energy conservation note payable									489,740
Capital lease obligation payable								83,753	83,753
Total liabilities	3,494,506	65,498	151,562	270,286	45,099	38,637		2,730,463	6,886,887
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets									6,895,712
Contributed capital					28,156				28,156
Retained earnings (accumulated deficit): unreserved					(8,070)				83,526
Fund balances:									
Reserved for encumbrances	78,342	16,638		5,585					100,565
Reserved for debt service			143,902						143,902
Reserved for tax revenue unavailable									1,012,727
for appropriation	897,991		59,100	55,636					84,837
Reserved for budget stabilization	84,837								24,864
Reserved for textbooks	24,864								24,864
Unreserved-undesignated	1,442,848	47,728		472,489					1,963,065
Total equity and other credits	2,528,882	64,366	203,002	533,710	20,086		6,895,712		10,337,354
Total liabilities, equity and other credits	\$6,023,388	\$129,864	\$354,564	\$803,996	\$65,185	\$38,637	\$6,895,712	\$2,730,463	\$17,224,241

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

GARAWAY 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, 2000

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$3,280,643		\$222,045	\$134,630	\$3,637,318
Tuition	155,332				155,332
Earnings on investments	175,014				175,014
Extracurricular activities		\$115,794			115,794
Contributions and donations		40,188			40,188
Other local revenues	34,746				34,746
Intergovernmental - State	3,012,729	136,960	22,454	54,838	3,226,981
Intergovernmental - Federal		435,077			435,077
Total revenue	6,658,464	728,019	244,499	189,468	7,820,450
Expenditures:					
Current:					
Instruction:					
Regular	3,365,662	186,132		37,067	3,588,861
Special	490,070	281,345			771,415
Vocational	52,447				52,447
Support services:					
Pupil	247,233	55,558			302,791
Instructional staff	213,489	112,746		515	326,750
Board of Education	11,879				11,879
Administration	830,002	6,597	14	4,652	841,265
Fiscal	230,280	2,873	3,752	3,801	240,706
Operations and maintenance	546,120	24		152,583	698,727
Pupil transportation	415,666			18,910	434,576
Extracurricular activities	142,803	69,577			212,380
Facilities acquisition and construction				102,115	102,115
Capital outlay		3,700			3,700
Debt service:					
Principal retirement		1,343	104,219		105,562
Interest and fiscal charges		31	141,164		141,195
Total expenditures	6,545,651	719,926	249,149	319,643	7,834,369
Excess (deficiency) of revenues over (under) expenditures	112,813	8,093	(4,650)	(130,175)	(13,919)
Other financing sources (uses):					
Operating transfers in		10,000			10,000
Operating transfers out	(10,000)				(10,000)
Proceeds from sale of notes				491,501	491,501
Proceeds of capital lease transaction		3,700			3,700
Process from sale of fixed assets	14,130				14,130
Total other financing sources (uses)	4,130	13,700		491,501	509,331
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	116,943	21,793	(4,650)	361,326	495,412
Fund balances, July 1	2,411,939	42,573	207,652	172,384	2,834,548
Fund balances, June 30	\$2,528,882	\$64,366	\$203,002	\$533,710	\$3,329,960

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

GARAWAY 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, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: (Unfavorable)	Revised Budget	Actual	Variance: (Unfavorable)	Revised Budget	Actual	Variance: (Unfavorable)	Revised Budget	Actual	Variance: (Unfavorable)	Revised Budget	Actual	Variance: (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,151,519	\$3,180,152	\$28,633					\$236,093	(\$921)	\$142,991	\$3,569,545	\$3,559,236	\$3,569,545	\$3,559,236	(\$10,309)
Tuition.....	149,294	155,332	6,038								149,294	155,332	149,294	155,332	6,038
Earnings on investments.....	150,000	179,263	29,263								150,000	179,263	150,000	179,263	29,263
Extracurricular activities.....				\$112,658	\$113,552	\$894									
Contributions and donations.....				39,648	40,188	540									
Other local revenues.....	33,700	34,686	986												
Intergovernmental - State.....	2,886,095	3,012,279	126,184	135,960	136,960	1,000		22,454	(107)	21,593	3,066,209	3,226,531	3,066,209	3,226,531	160,322
Intergovernmental - Federal.....				442,070	442,097	27					442,070	442,097	442,070	442,097	27
Total revenues.....	6,370,608	6,561,712	191,104	730,336	732,797	2,461	239,575	238,547	(1,028)	202,605	7,563,124	7,750,885	7,563,124	7,750,885	187,761
Expenditures:															
Current:															
Instruction:															
Regular.....	3,422,869	3,319,651	103,218	225,505	182,262	43,243		37,067	19,682		3,705,123	3,538,980	3,705,123	3,538,980	166,143
Special.....	476,508	503,618	(27,110)	292,929	280,978	11,951					769,437	784,596	769,437	784,596	(15,159)
Vocational.....	53,574	53,420	154								53,574	53,420	53,574	53,420	154
Support services:															
Pupil.....	236,506	245,782	(9,276)	60,957	55,195	5,762					297,463	300,977	297,463	300,977	(3,514)
Instructional staff.....	226,196	218,344	7,852	158,362	119,374	38,988					384,558	338,233	384,558	338,233	46,325
Board of Education.....	12,250	11,879	371								12,250	11,879	12,250	11,879	371
Administration.....	818,382	842,250	(23,868)	6,861	6,599	262	15	14	1	2,716	827,974	853,514	827,974	853,514	(25,540)
Fiscal.....	226,767	224,409	2,358	3,111	2,873	238	4,100	3,618	482	6,750	240,728	234,580	240,728	234,580	6,148
Operations and maintenance.....	599,823	564,086	35,737	0	24	(24)					399,145	416,691	399,145	416,691	28,277
Extracurricular activities.....	412,320	427,357	(15,037)	78,843	78,817	26					28,911	441,231	28,911	441,231	(5,037)
Facilities acquisition and construction.....	147,029	142,795	4,234								150,379	107,700	150,379	107,700	42,679
Debt service:															
Principal retirement.....				104,219	104,219	0					104,219	104,219	104,219	104,219	0
Interest and fiscal charges.....				141,211	141,164	47					141,211	141,164	141,211	141,164	47
Total expenditures.....	6,632,224	6,553,591	78,633	826,568	726,122	100,446	249,545	249,015	530	644,650	8,352,987	7,853,833	8,352,987	7,853,833	499,154
Excess (deficiency) of revenues over (under) expenditures.....	(261,616)	8,121	269,737	(96,232)	6,675	102,907	10,030	9,532	(498)	(442,045)	(789,863)	(102,948)	(789,863)	(102,948)	686,915
Other financing sources (uses):															
Refund of prior year's expenditures.....	25	25	0	660	660	0					685	685	685	685	0
Operating transfers in.....	(10,000)	(10,000)	0	10,000	10,000	0					10,000	10,000	10,000	10,000	0
Operating transfers out.....	93,645	93,645	0	48,645	48,645	0					(10,000)	(10,000)	(10,000)	(10,000)	0
Advances in.....	(93,645)	(93,645)	0	(48,645)	(48,645)	0					142,290	142,290	142,290	142,290	0
Advances out.....	14,135	14,130	(5)	(48,645)	(48,645)	0					(142,290)	(142,290)	(142,290)	(142,290)	0
Proceeds of sale of fixed assets.....				(5)							14,130	14,130	14,130	14,130	(5)
Proceeds from sale of notes.....											491,501	491,501	491,501	491,501	0
Total other financing sources (uses).....	4,160	4,155	(5)	10,660	10,660	0	0	0	0	491,501	506,321	506,316	506,321	506,316	(5)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(257,456)	12,276	269,732	(85,572)	17,335	102,907	10,030	9,532	(498)	(442,045)	(283,542)	(403,368)	(283,542)	(403,368)	686,910
Fund balances, July 1.....	2,145,866	2,145,866	0	74,566	74,566	0	128,514	128,514	0	100,880	2,449,826	2,449,826	2,449,826	2,449,826	0
Prior year encumbrances appropriated.....	101,899	101,899	0	15,985	15,985	0	0	0	0	2,095	119,979	119,979	119,979	119,979	0
Fund balances, June 30.....	\$1,990,309	\$2,260,041	\$269,732	\$4,979	\$107,886	\$102,907	\$138,544	\$138,046	(\$498)	\$152,431	\$2,286,263	\$2,973,173	\$2,286,263	\$2,973,173	\$686,910

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

GARAWAY 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, 2000

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees	\$36,778		\$36,778
Sales/charges for services	207,011	\$593,376	800,387
 Total operating revenues	 243,789	 593,376	 837,165
Operating expenses:			
Personal services	166,556		166,556
Contract services	8,790	142,770	151,560
Materials and supplies	192,092		192,092
Depreciation	1,805		1,805
Claims expense		664,110	664,110
 Total operating expenses	 369,243	 806,880	 1,176,123
Operating loss	(125,454)	(213,504)	(338,958)
Nonoperating revenues (expenses):			
Operating grants	76,792		76,792
Federal commodities	33,032		33,032
Interest revenue	74	7,793	7,867
Loss on sale of assets	(239)		(239)
Miscellaneous	263		263
 Total nonoperating revenues (expenses)	 109,922	 7,793	 117,715
Net loss	(15,532)	(205,711)	(221,243)
Retained earnings, July 1	7,462	297,307	304,769
Retained earnings (accumulated deficit), June 30	(\$8,070)	\$91,596	\$83,526

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

GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$36,778		\$36,778
Cash received from sales/service charges	207,011	\$593,376	800,387
Cash payments for personal services	(163,742)		(163,742)
Cash payments for contract services	(8,790)	(142,770)	(151,560)
Cash payments for materials and supplies	(141,336)		(141,336)
Cash payments for claims expenses		(666,244)	(666,244)
Net cash used in operating activities	(70,079)	(215,638)	(285,717)
Cash flows from noncapital financing activities:			
Cash received from operating grants	86,364		86,364
Cash received from nonoperating activities	263		263
Cash received from interfund loans	45,000		45,000
Cash payments used in repayment of interfund loans	(45,000)		(45,000)
Net cash provided by noncapital financing activities	86,627		86,627
Cash flows from investing activities:			
Interest received	74	7,793	7,867
Net cash provided by investing activities	74	7,793	7,867
Net increase (decrease) in cash and cash equivalents	16,622	(207,845)	(191,223)
Cash and cash equivalents at beginning of year	9,452	390,277	399,729
Cash and cash equivalents at end of year	\$26,074	\$182,432	\$208,506
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	(\$125,454)	(\$213,504)	(\$338,958)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,805		1,805
Federal donated commodities	33,032		33,032
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(106)		(106)
Decrease in inventory held for resale	18,286		18,286
Increase in accrued wages	2,148		2,148
Decrease in compensated absences payable	(221)		(221)
Increase in intergovernmental payable	887		887
Decrease in claims payable		(2,134)	(2,134)
Decrease in deferred revenue	(456)		(456)
Net cash used in operating activities	(\$70,079)	(\$215,638)	(\$285,717)

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

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**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District ranks as the 420th largest by enrollment among the 660 public and community school districts in the State, and 7th largest in Tuscarawas County. The School District is staffed by 57 non-certificated employees, 89 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,205 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District

The Buckeye Joint Vocational School District (Joint Vocational School District) 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 Joint Vocational School District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The School District's students may attend the Joint Vocational School District. Each participating Schools District's control is limited to its representation on the Joint Vocational School District's Board of Education. During fiscal 2000, no monies were paid to the Joint Vocational School District from the School District.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its 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.

The OME-RESA is one of twenty-three 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 forty-nine member school districts in ten 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 in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (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. The 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 body 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 upon the School District's continued participation and no measurable equity interest exists.

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

B. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

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

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

Proprietary Fund Types:

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

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

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include agency funds. 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 identifying items which would be subject to accrual for other fund types (See Note 3B).

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

Account Groups:

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

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

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

C. Measurement Focus and 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 flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues 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. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue on the combined balance sheet.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the School District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. All supplemental appropriations were legally enacted by the Board during fiscal 2000.

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the general purpose financial statements for proprietary funds.

Lapsing of Appropriations:

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

E. Cash and Investments

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

The School District maintains a segregated bank account for monies held separate from the School District's central bank account. The segregated bank account represents monies held by the School District for the self-insurance plan. This interest bearing depository account is presented in the combined balance sheet as "Cash in segregated accounts".

During fiscal year 2000, investments were limited to STAR Ohio, certificates of deposit, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2000 amounted to \$175,014 which includes \$53,230 assigned from other School District funds.

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

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. At June 30, 2000, there were no significant inventory balances in the governmental funds. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

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

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Teacher Development
- Title I
- Title VI-B
- Title VI
- Network for Systemic Improvement
- Management Information Systems
- Ohio Reads
- Summer Intervention
- School Improvement Incentive
- Conflict Management
- Safe School Helpline
- E-Rate

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

Non-Reimbursable Grants - (continued)

Capital Projects Funds

Permanent Improvement
SchoolNet

Reimbursable Grants

General Fund

Driver Education Reimbursement
Community Alternative Funding System

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 43 percent of the School District's operating revenue during the 2000 fiscal year.

I. Compensated Absences

The School District follows the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability is an estimate based on the School District's past experience of making termination payments.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the combined 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 are recorded as an expense when earned.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year end are considered not to have been made with current available financial resources. Bonds, long-term notes, and capital leases are reported as a liability of the general long-term obligations account group until due.

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

K. Interfund Transactions

During the course of normal operations, the School 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 School District had no short-term interfund loans receivable or payable at June 30, 2000.
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 School District had no long-term advances receivable or payable at June 30, 2000.

An analysis of interfund transactions is presented in Note 5.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, tax revenue unavailable for appropriation, debt service, budget stabilization and textbooks. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare general purpose financial statements in accordance with GAAP prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined general purpose financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. During fiscal year 2000, there were additions to contributed capital (See Note 9).

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization and textbook reserve. These reserves are required by the State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. A schedule of statutory reserves is presented in Note 19.

O. Estimates

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

P. Total Columns on General Purpose Financial Statements

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate additional financial analysis. Data in these columns do not present financial position, results of operations, or cash flows 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. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2000, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title VI-B	\$ 1,072
Title I	25,188
Management Information Systems	6
Ohio Reads	2,033
 <u>Enterprise Funds</u>	
Food Service	10,843

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

The deficit fund balances in the Title VI-B, Title I, Management Information Systems and Ohio Roads special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit retained earnings in the Food Service enterprise fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, pension obligations and compensated absences attributable to the fiscal year. This deficit balances will be eliminated by user fees or other subsidies not recognized and recorded at June 30.

B. Agency Funds

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

ASSETS

Accounts receivable	\$ 72
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LIABILITIES

Accounts payable	7,262
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The School 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 School District into three categories:

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

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

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

Interim monies may be 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits, including nonnegotiable certificates of deposit, was \$531,458 and the bank balances, including nonnegotiable certificates of deposit, was \$601,066. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$316,066 was collateralized with securities held by the financial institution's trust department or agent in the entity's name.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

3. \$85,000 was uninsured and collateralized 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 School District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School 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 School District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the School District's name. The School District's investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Reported Amount	Fair Value
Repurchase agreement	\$ - - -	\$162,162	\$ 162,162	\$ 162,162
Federal agency securities	<u>398,800</u>	<u>- - -</u>	398,800	398,800
	<u>\$398,800</u>	<u>\$162,162</u>		
Investment in STAR Ohio			<u>2,354,061</u>	<u>2,354,061</u>
Total Investments			<u>\$2,915,023</u>	<u>\$2,915,023</u>

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".

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

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:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No 9	\$ 3,446,481	\$ - - -
Investments of the cash management pool:		
Federal agency securities	(398,800)	398,800
Investment in STAR Ohio	(2,354,061)	2,354,061
Repurchase agreement	<u>(162,162)</u>	<u>162,162</u>
GASB Statement No. 3	<u>\$ 531,458</u>	<u>\$2,915,023</u>

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the School District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ - - -	\$10,000
<u>Special Revenue Funds</u>		
Artsweek Donations	<u>10,000</u>	<u>- - -</u>
Total	<u>\$10,000</u>	<u>\$10,000</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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 personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

The assessed value upon which the 2000 taxes were collected was \$144,456,731. Agricultural/Residential and minerals real estate represented 62.68% or \$90,544,310 of this total; Commercial & Industrial real estate represented 18.36% or \$26,520,060 of this total, public utility tangible represented 6.16% or \$8,899,940 of this total and general tangible property represented 12.80% or \$18,492,421 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$41.70 per \$1,000.00 of assessed valuation for operations, \$2.00 per \$1,000.00 of assessed valuation for permanent improvements and \$1.50 per \$1,000.00 of assessed valuation for debt service.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

The School District receives property taxes from Tuscarawas, Coshocton and Holmes Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance, and recorded as revenue, at June 30, 2000, was \$897,991 in the general fund, \$59,100 in the debt service fund and \$55,636 in the Permanent Improvement capital projects fund.

Taxes available for advance and recognized as revenue but not received by the School District prior to June 30, 2000, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The School District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,670,778
Accrued interest	7,809
<u>Debt Service Fund</u>	
Taxes - current and delinquent	216,518
<u>Capital Projects Fund</u>	
Taxes - current and delinquent	215,231

NOTE 8 - FIXED ASSETS

A. A summary of the enterprise funds' fixed assets at June 30, 2000, as follows:

Furniture and equipment	\$ 72,691
Less: accumulated depreciation	<u>(41,272)</u>
Net fixed assets	<u>\$ 31,419</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 8 - FIXED ASSETS - (Continued)

B. A summary of the changes in general fixed assets during fiscal year 2000 as follows:

<u>Asset Category</u>	<u>Balance 07/01/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/00</u>
Land and improvements	\$ 172,134	\$ ---	\$ ---	\$ 172,134
Building and improvements	4,504,295	---	---	4,504,295
Construction in Progress	---	221,239	---	221,239
Furniture, fixtures and equipment	1,233,637	114,288	(57,624)	1,290,301
Vehicles	<u>707,629</u>	<u>52,711</u>	<u>(52,597)</u>	<u>707,743</u>
Totals	<u>\$6,617,695</u>	<u>\$388,238</u>	<u>\$(110,221)</u>	<u>\$6,895,712</u>

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

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

	<u>Food Service</u>
Contributed capital, July 1, 1999	\$20,123
Current contributions	<u>8,033</u>
Contributed capital, June 30, 2000	<u>\$28,156</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into a capitalized lease for school buses. During fiscal year 2000, the School District entered into a capitalized lease for a football sled. These leases meet 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 \$205,679. 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 debt service fund for the school buses and the Athletic special revenue fund for the football sled. Principal payments in fiscal year 2000 totaled \$38,801 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2001	\$ 45,309
2002	45,309
2003	<u>1,124</u>
Total	91,742
Less: amount representing interest	<u>(7,989)</u>
Present value of net minimum lease payments	<u>\$83,753</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS

A. The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance Outstanding <u>07/01/99</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>06/30/00</u>
General obligation bond: school facilities - 7.3%	\$1,885,000	\$ - - -	\$(65,000)	\$1,820,000
Energy conservation note	0	491,501	(1,761)	489,740
Capital leases	118,854	3,700	(38,801)	83,753
Pension obligation	55,169	53,742	(55,169)	53,742
Compensated absences	<u>305,564</u>	<u>14,135</u>	<u>(36,471)</u>	<u>283,228</u>
Total general long-term obligations	<u>\$2,364,587</u>	<u>\$563,078</u>	<u>\$(197,202)</u>	<u>\$2,730,463</u>

General Obligation Bond - The School District issued the voted general obligation bond for the purpose of constructing a high school building. The bond was issued for a twenty-four year period with final maturity at December 1, 2014. The bond will be retired from the debt service fund.

Energy Conservation Note - On June 8, 2000, the School District issued a \$491,501 energy conservation note in accordance with Section 3313.372, Ohio Revised Code, and House Bill 264. This note bears an interest rate of 5.25% and matures on May 8, 2015. The primary source of repayment of this note is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year end is accounted for in the general long-term debt account group.

Capital leases will be paid from the debt service fund and the Athletic special revenue fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the general obligation bond and energy conservation note outstanding at June 30, 2000, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u> <u>Bonds/Notes</u>	<u>Interest on</u> <u>Bonds/Notes</u>	<u>Total</u>
2001	\$ 97,248	\$ 152,715	\$ 249,963
2002	103,440	146,272	249,712
2003	114,701	139,209	253,910
2004	125,972	131,255	257,227
2005	127,425	122,602	250,027
2006 - 2010	730,860	474,075	1,204,935
2011 - 2015	<u>1,010,094</u>	<u>180,909</u>	<u>1,191,003</u>
Total	<u>\$2,309,740</u>	<u>\$1,347,037</u>	<u>\$3,656,777</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$11,384,108 (including available funds of \$203,002) and an unvoted debt margin of \$144,457.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 248 days or more per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment or retirement. Administrators, teachers and classified employees who work less than 248 days per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 212 days for certified employees and 209 days for classified employees. Upon termination of employment or retirement, a certified employee or administrator receives payment for one-fourth of the total sick leave accumulation up to a maximum accumulation of 49 days. Upon termination of employment or retirement, a classified employee is paid for one-fourth of the total sick leave accumulation to a maximum accumulation of 45 days.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to employees through the Sun Life Assurance Company of Canada of \$15,000 and \$7,500 for full-time and part-time employees, respectively, \$75,000 for the Superintendent and \$50,000 for the Treasurer.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

C. Special Termination Benefits

The School District approved an early retirement cash incentive plan for the duration of a negotiated agreement with the Garaway Teachers Association from July 1, 1997, through June 30, 2000. Participation is open to employees who elect to retire within 30 days after the end of the school year in which he/she initially becomes eligible for retirement under STRS eligibility criteria. Written notice of an employee's decision to retire under this plan along with certification of service credit by STRS must be presented to the board no later than at the regular May board meeting. An employee who qualified for retirement as of the end of the 1996/97 school year and who elected to retire by July 1, 1997, had a one-time opportunity to participate in the plan by submitting written notification and STRS certification on or before June 16, 1997. The number of employees participating in the plan in any one year is not limited. The one-time \$10,000 cash payment to employees must be paid within 30 days after the effective date of retirement. For fiscal year 2000, no employees elected to participate in the early retirement cash incentive plan.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Indiana Insurance Company for property insurance, and Nationwide/Wausau Insurance Company for fleet insurance. Coverages provided and deductibles are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$23,075,796
Inland Marine Coverage (\$100 deductible)	155,689
Boiler and Machinery (\$500 deductible)	23,075,796
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000

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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 13 - RISK MANAGEMENT - (Continued)

Professional liability is protected by the Nationwide/Wausau Insurance Company with a \$1,000,000 single occurrence limit, a \$5,000,000 aggregate limit, and no deductible. The Nationwide/Wausau Insurance Company also maintains \$20,000 public official bonds for the Board President, Board Vice-President, Superintendent, and Assistant Treasurer as well as a \$25,000 bond for the Treasurer. In addition, the Ohio Casualty Insurance Company provides an \$8,000 public blanket bond for other employees.

B. Worker's Compensation

For fiscal year 2000, the School 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 School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. The District paid \$1,451 in administrative fees and \$1,346 in an additional assessment to the GRP for fiscal year 2000.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 13 - RISK MANAGEMENT - (Continued)

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

The School 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 percent paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible followed by a 90 percent employee co-payment to a \$250 individual out-of-pocket maximum. A third party administrator, Klais & Company, Inc., of Akron, Ohio, reviews all claims which are then paid by the School District. The School District purchases stop-loss coverage of \$30,000 per individual from Sun Life Assurance Company of Canada. The School District also provides dental and vision coverage on this self-insured basis. The premiums are paid by the School District at a rate of 90 percent for full-time employees and 50 percent for part-time employees. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information. Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$274.62	\$98.64
Dental	27.68	9.72
Vision	7.85	2.75

The claims liability of \$90,836 reported in the internal service fund at June 30, 2000, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No.10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2000	\$92,970	\$664,110	(\$666,244)	\$90,836
1999	\$98,182	\$534,041	(\$539,253)	\$92,970

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$207,011	\$36,778	\$243,789
Operating expenses less depreciation	310,619	56,819	367,438
Depreciation expense	1,805	---	1,805
Operating loss	(105,413)	(20,041)	(125,454)
Donated commodities	33,032	---	33,032
Operating grants	76,792	---	76,792
Net income (loss)	4,509	(20,041)	(15,532)
Fixed assets additions	8,033	---	8,033
Net working capital	(9,115)	2,773	(6,342)
Total assets	62,412	2,773	65,185
Total liabilities	45,099	---	45,099
Contributed capital	28,156	---	28,156
Total equity	17,313	2,773	20,086
Encumbrances outstanding at June 30, 2000	---	---	---

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$131,559, \$124,219, and \$117,771, respectively; 42.9 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$73,158, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$521,799, \$480,398, and \$388,018, respectively; 83.5 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$85,940, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees are not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, three members of the Board of Education have selected social security. The School District's liability is 6.2 percent of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$298,171 during fiscal 2000.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

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

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

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

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$95,370 during the 2000 fiscal year.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 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 GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Unrecorded interest is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 12,276	\$ 17,335	\$ 9,532	\$ 364,225
Net adjustment for revenue accruals	96,752	(4,778)	(14,048)	(8,361)
Net adjustment for expenditure accruals	(81,832)	(14,201)	(134)	(116,103)
Net adjustment for other financing sources (uses) accruals	(25)	3,040	---	---
Encumbrances (budget basis)	<u>89,772</u>	<u>20,397</u>	<u>---</u>	<u>121,565</u>
GAAP basis	<u>\$116,943</u>	<u>\$ 21,793</u>	<u>\$ (4,650)</u>	<u>\$(361,326)</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 18 - CONTINGENCIES

A. Grants

The School 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 School District at June 30, 2000.

B. Litigation

The School District is not involved in significant litigation as either plaintiff or defendant.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "School Foundation Program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 2000, the School District received \$2,581,259 of school foundation support for its general fund.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 18 - CONTINGENCIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, “...the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 19 - STATUTORY RESERVES

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$0	\$0	\$85,034
Current year set-aside requirement	152,842	152,842	---
Current year adjustment	---	---	(197)
Current year offsets	(27,978)	(133,482)	---
Qualifying disbursements	<u>(100,000)</u>	<u>(19,360)</u>	<u>---</u>
 Total	 <u>\$24,864</u>	 <u>\$0</u>	 <u>\$84,837</u>
Cash balance carried forward to FY 2001	<u>\$24,864</u>	<u>\$0</u>	<u>\$84,837</u>

Due to a change in the base revenues used to calculate the budget stabilization reserve at June 30, 1999, an adjustment of \$197 is required in the current year to properly state the District's required set-aside for budget stabilization in accordance with State law at June 30, 2000.

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

Amount restricted for budget stabilization	\$ 84,837
Amount restricted for textbooks	<u>24,864</u>
Total restricted assets	<u>\$109,701</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 20 - CONTRACTUAL COMMITMENT

At June 30, 2000, the following contractual commitment has been entered into, but the work has not been completed.

<u>Contractor</u>	<u>Project</u>	<u>Amount of Contract</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
Comfort Control Group	H.B. 264 Retrofits	\$491,501	\$221,239	\$270,262

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENTS

A 1.0 mill permanent improvement levy used for building maintenance and repair expired December 31, 1999. A renewal levy was placed on the November, 2000 election ballot at the same millage rate and was passed by the voters.

Labor contracts with both the Garaway Teachers' Association and OAPSE expired June 30, 2000. The OAPSE Local #011 approved a three year contract on November 27, 2000, effective for July 1, 2000. The School District is still in negotiations with the Garaway Teacher's Association.

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**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2000

Federal Grantor/ <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department Of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: National School Lunch Program	N/A	10.555	\$82,484	\$0	\$82,484	\$0
Food Distribution	N/A	10.550	0	32,576	0	38,427
Total U.S. Department of Agriculture - Child Nutrition Cluster			82,484	32,576	82,484	38,427
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-99 C1-S1-99C C1-S1-00	84.010	58,881 34,585 171,382	0 0 0	84,823 34,585 158,688	0 0 0
Total Title I Grants to Local Educational Agencies			264,848	0	278,096	0
Innovative Education Program Strategies	C2-S1-99C C2-S1-00	84.298	868 1,955	0 0	868 0	0 0
Total Innovative Education Program Strategies			2,823	0	868	0
Special Education_Grants to States	6B-SF-99 6B-SF-00	84.027	4,316 78,894	0 0	8,699 66,261	0 0
Total Special Education_Grants to States			83,210	0	74,960	0
Goals 2000_State and Local Education Systemic Improvement	G2-S2-98C G2-S2-99	84.276 84.276	11,285 30,000	0 0	35,879 29,098	0 0
Total Goals 2000_State and Local Education Systemic Improvement			41,285	0	64,977	0
Classroom Reduction	CR-S1-2000	84.340	31,972	0	24,921	0
Total U.S. Department of Education			424,138	0	443,822	0
Totals			\$506,622	\$32,576	\$526,306	\$38,427

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

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, 2000, the District had food commodities valued at \$2,771 in inventory.



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

Garaway Local School District
Tuscarawas County
146 Dover Avenue
P.O. Box 339
Sugar creek, Ohio 44681

To the Board of Education:

We have audited the general purpose financial statements of Garaway Local School District, Tuscarawas County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 18, 2000.

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.

Garaway Local School District
Tuscarawas County
Report of Independent Accountants on Compliance and on
Internal Control Required By *Government Auditing Standards*
Page 2

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 18, 2000.

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

Jim Petro
Auditor of State

December 18, 2000



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

Garaway Local School District
Tuscarawas County
146 Dover Avenue
P.O. Box 339
Sugarcreek, Ohio 44681

To the Board of Education:

Compliance

We have audited the compliance of Garaway Local School District, Tuscarawas County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is 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 program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

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 the 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.

However, we noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 18, 2000.

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

Jim Petro
Auditor of State

December 18, 2000

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(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):	Title I Grant to Local Education Agencies CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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GARAWAY 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 16, 2001**