

**MORGAN LOCAL SCHOOL DISTRICT**

**ANNUAL REPORT  
YEAR ENDED JUNE 30, 2000**



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

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**JIM PETRO, AUDITOR OF STATE**

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-728-7398

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

We have reviewed the Independent Auditor's Report of the Morgan Local School District, Morgan County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period July 1, 1999 to June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

**JIM PETRO**  
Auditor of State

December 19, 2000

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

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**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**ELECTED OFFICIALS  
AS OF JUNE 30, 2000**

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

**Legal Counsel**

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

**Entity Address**

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

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 2000**

<b>TITLE/ NAME</b>	<b>CONTRACT PERIOD</b>	<b>SURETY</b>	<b>AMOUNT</b>	<b>PERIOD</b>
<b><u>Superintendent</u></b>				
Herbert Young	8/1/97 to 7/31/00	(A)	\$20,000	8/1/97-7/31/98
<b><u>Treasurer</u></b>				
Susan Gable	2/19/98 to Org. Mtg. 2001	(A)	\$20,000	1/1/98-6/30/98

(A) Ohio Farmers Insurance Company

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**INDEX OF FUNDS**

**GOVERNMENTAL FUND TYPES**

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General Fund

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Venture Capital Fund

Maintenance Building Fund

Public School Support Fund

District Managed Accounts Fund

Career Development Fund

Teacher Development Fund

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Education Management Information Systems Fund

Ohio Reads Grant Fund

Disadvantaged Pupil Impact Aid Fund

Dwight D. Eisenhower Grant Fund

Title VI-B Special Education: Assistance to States for

Education of Handicapped Children Fund

Title 1 - Special Educational Needs of Disadvantaged Children Fund

Title VI - Elementary and Secondary Education Act Block Grant Fund

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Special Education – Preschool Grant Fund

Goals 2000

Appalachian Regional Commission Grant Fund

Comprehensive School Reform Fund

School to Work Grant Fund

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**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

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**FIDUCIARY FUND TYPES**

**Expendable Trust Funds:**

Special Trust Funds

**Non-Expendable Trust Fund:**

Endowment Fund

**Agency Funds:**

Student Managed Activity Funds

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying general-purpose financial statements of Morgan Local School District, as of and for the year ended June 30, 2000. 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 standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morgan Local School District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year than ended in conformity with generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2000, on our consideration of the Morgan Local School District's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.  
Zanesville, Ohio  
November 22, 2000



**Morgan Local School District, Ohio**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$756,033	\$594,518	\$231,867	\$3,738,804
Cash and Cash Equivalents in Segregated Accounts	0	260	0	0
Investments	0	0	7,086,767	7,116,159
<u>Receivables:</u>				
Property Taxes	3,450,904	82,263	670,777	0
Accounts	44,774	0	0	1,950
Intergovernmental	60,622	10,568	0	86,000
Accrued Interest	0	0	0	0
Interfund Receivable	94,182	0	0	0
Due from Other Funds	514	0	0	0
Materials and Supplies Inventory	36,298	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	100,040	7,646	0	0
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	716,566	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Construction in Progress	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$5,259,933</u>	<u>\$695,255</u>	<u>\$7,989,411</u>	<u>\$10,942,913</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$3,197	\$40,990	\$68,117	\$0	\$0	\$5,433,526
0	22,247	514	0	0	23,021
0	0	100,000	0	0	14,302,926
0	0	0	0	0	4,203,944
50	0	0	0	0	46,774
38,939	0	0	0	0	196,129
0	0	1,260	0	0	1,260
0	0	0	0	0	94,182
0	0	0	0	0	514
1,382	0	0	0	0	37,680
15,256	0	0	0	0	15,256
5,826	16,581	0	0	0	130,093
0	0	0	0	0	716,566
298	0	0	10,382,077	0	10,382,375
0	0	0	600,146	0	600,146
0	0	0	0	153,447	153,447
0	0	0	0	9,811,693	9,811,693
<u>\$64,948</u>	<u>\$79,818</u>	<u>\$169,891</u>	<u>\$10,982,223</u>	<u>\$9,965,140</u>	<u>\$46,149,532</u>

**Morgan Local School District, Ohio**  
 Combined Balance Sheet  
 All Fund Types and Account Groups (Continued)  
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$33,908	\$7,589	\$0	\$32,205
Contracts Payable	0	0	0	138,190
Accrued Salaries and Benefits Payable	1,459,364	185,029	0	0
Intergovernmental Payable	342,331	45,945	0	548
Interfund Payable	0	7,823	0	86,359
Due to Other Funds	0	0	0	0
Due to Students	0	0	0	0
Deferred Revenue	3,338,618	79,629	656,233	0
Accrued Interest Payable	0	0	0	170,696
Compensated Absences Payable	13,442	0	0	0
Claims Payable	0	0	0	0
Tax Refund Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Notes Payable	0	0	0	6,997,000
School Bus Bonds	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Energy Conservation Long-Term Note	0	0	0	0
Energy Conservation Improvement Bonds	0	0	0	0
<b>Total Liabilities</b>	<b>5,187,663</b>	<b>326,015</b>	<b>656,233</b>	<b>7,424,998</b>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
<u>Retained Earnings:</u>				
Unreserved (Deficits)	0	0	0	0
<u>Fund Balances:</u>				
Reserved for Encumbrances	215,033	63,591	7,179,731	60
Reserved for Budget Stabilization	170,928	0	0	0
Reserved for Textbooks	53,521	0	0	0
Reserved for Bus Purchase	492,117	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Inventory	36,298	0	0	0
Reserved for Property Taxes	112,286	2,634	14,544	0
Unreserved, Undesignated (Deficit)	(1,007,913)	303,015	138,903	3,517,855
<b>Total Fund Equity (Deficits) and Other Credits</b>	<b>72,270</b>	<b>369,240</b>	<b>7,333,178</b>	<b>3,517,915</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$5,259,933</b>	<b>\$695,255</b>	<b>\$7,989,411</b>	<b>\$10,942,913</b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$73,702
0	0	0	0	0	138,190
64,184	0	0	0	0	1,708,577
42,457	0	0	0	119,545	550,826
0	0	0	0	0	94,182
0	0	514	0	0	514
0	0	57,242	0	0	57,242
11,728	99,679	0	0	0	4,185,887
0	0	0	0	0	170,696
23,783	0	0	0	1,023,038	1,060,263
0	165,267	0	0	0	165,267
0	0	0	0	53,794	53,794
0	0	0	0	76,433	76,433
0	0	0	0	0	6,997,000
0	0	0	0	1,200,000	1,200,000
0	0	0	0	6,996,905	6,996,905
0	0	0	0	208,305	208,305
0	0	0	0	287,120	287,120
<u>142,152</u>	<u>264,946</u>	<u>57,756</u>	<u>0</u>	<u>9,965,140</u>	<u>24,024,903</u>
0	0	0	10,982,223	0	10,982,223
(77,204)	(185,128)	0	0	0	(262,332)
0	0	0	0	0	7,458,415
0	0	0	0	0	170,928
0	0	0	0	0	53,521
0	0	0	0	0	492,117
0	0	100,000	0	0	100,000
0	0	0	0	0	36,298
0	0	0	0	0	129,464
0	0	12,135	0	0	2,963,995
<u>(77,204)</u>	<u>(185,128)</u>	<u>112,135</u>	<u>10,982,223</u>	<u>0</u>	<u>22,124,629</u>
<u>\$64,948</u>	<u>\$79,818</u>	<u>\$169,891</u>	<u>\$10,982,223</u>	<u>\$9,965,140</u>	<u>\$46,149,532</u>

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$3,595,919	\$37,963	\$417,435	\$0	\$4,051,317
Intergovernmental	9,830,658	2,289,746	20,303	4,475,793	16,616,500
Interest	162,945	0	98,709	248,915	510,569
Tuition and Fees	38,898	0	0	0	38,898
Charges for Services	17,211	0	0	0	17,211
Extracurricular Activities	0	93,827	0	0	93,827
Miscellaneous	85,566	24,371	0	0	109,937
<b>Total Revenues</b>	<b>13,731,197</b>	<b>2,445,907</b>	<b>536,447</b>	<b>4,724,708</b>	<b>21,438,259</b>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	5,141,882	932,510	0	0	6,074,392
Special	1,191,700	853,667	0	0	2,045,367
Vocational	1,074,992	29,659	0	0	1,104,651
Adult/Continuing	1,784	0	0	0	1,784
Other	538,010	0	0	0	538,010
Support Services:					
Pupils	488,727	48,015	0	0	536,742
Instructional Staff	486,842	170,486	0	0	657,328
Board of Education	60,944	0	0	0	60,944
Administration	1,269,030	133,680	0	0	1,402,710
Fiscal	339,818	4,249	7,130	0	351,197
Business	125,426	0	0	0	125,426
Operation and Maintenance of Plant	975,372	6,000	0	0	981,372
Pupil Transportation	1,578,510	10,348	0	0	1,588,858
Central	112,665	5,134	0	0	117,799
Extracurricular Activities	158,138	97,689	0	0	255,827
Capital Outlay	132,247	48,830	0	1,084,705	1,265,782
Refund of Taxes	17,931	0	0	0	17,931
Debt Service:					
Principal Retirement	20,927	22,488	121,714	0	165,129
Interest and Fiscal Charges	1,935	3,699	86,159	170,696	262,489
<b>Total Expenditures</b>	<b>13,716,880</b>	<b>2,366,454</b>	<b>215,003</b>	<b>1,255,401</b>	<b>17,553,738</b>
<b>Excess of Revenues Over Expenditures</b>	<b>14,317</b>	<b>79,453</b>	<b>321,444</b>	<b>3,469,307</b>	<b>3,884,521</b>
<u>Other Financing Sources (Uses):</u>					
Proceeds of Bonds	0	0	6,996,905	0	6,996,905
Operating Transfers Out	(126,300)	0	0	0	(126,300)
<b>Total Other Financing Sources (Uses)</b>	<b>(126,300)</b>	<b>0</b>	<b>6,996,905</b>	<b>0</b>	<b>6,870,605</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(111,983)</b>	<b>79,453</b>	<b>7,318,349</b>	<b>3,469,307</b>	<b>10,755,126</b>
<b>Fund Balances at Beginning of Year</b>	<b>210,824</b>	<b>289,787</b>	<b>14,829</b>	<b>48,608</b>	<b>564,048</b>
<b>Decrease in Reserve for Inventory</b>	<b>(26,571)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26,571)</b>
<b>Fund Balances at End of Year</b>	<b>\$72,270</b>	<b>\$369,240</b>	<b>\$7,333,178</b>	<b>\$3,517,915</b>	<b>\$11,292,603</b>

See accompanying notes to the general purpose financial statements

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2000

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$3,882,480	\$3,501,957	(\$380,523)
Intergovernmental	8,627,782	9,780,894	1,153,112
Interest	141,170	160,312	19,142
Tuition and Fees	40,035	45,464	5,429
Charges for Services	11,989	13,615	1,626
Extracurricular Activities	0	0	0
Miscellaneous	80,323	51,215	(29,108)
<b>Total Revenues</b>	<b>12,783,779</b>	<b>13,553,457</b>	<b>769,678</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	9,315,471	5,186,437	4,129,034
Special	18,770	1,203,331	(1,184,561)
Vocational	88,692	1,086,102	(997,410)
Adult/Continuing	0	1,774	(1,774)
Other	491,790	547,324	(55,534)
<b>Support Services:</b>			
Pupils	2,180,064	504,089	1,675,975
Instructional Staff	125,180	511,635	(386,455)
Board of Education	75,952	76,749	(797)
Administration	270,222	1,292,208	(1,021,986)
Fiscal	236,764	352,733	(115,969)
Business	3,217	119,944	(116,727)
Operation and Maintenance of Plant	594,719	1,043,216	(448,497)
Pupil Transportation	590,711	1,685,816	(1,095,105)
Central	2,065	103,616	(101,551)
Extracurricular Activities	10,000	158,025	(148,025)
Capital Outlay	181,510	146,982	34,528
<b>Debt Service:</b>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>14,185,127</b>	<b>14,019,981</b>	<b>165,146</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,401,348)</b>	<b>(466,524)</b>	<b>934,824</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Operating Transfer Out	(126,300)	(126,300)	0
Advances In	31,317	31,317	0
Advances Out	0	0	0
Refund of Prior Year Expenditures	40,355	40,355	0
Refund of Prior Year Receipts	(500)	(18,172)	(17,672)
<b>Total Other Financing Sources (Uses)</b>	<b>(55,128)</b>	<b>(72,800)</b>	<b>(17,672)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(1,456,476)</b>	<b>(539,324)</b>	<b>917,152</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,690,231</b>	<b>1,690,231</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>165,975</b>	<b>165,975</b>	<b>0</b>
<b>Fund Balances at End of Year</b>	<b>\$399,730</b>	<b>\$1,316,882</b>	<b>\$917,152</b>

(continued)

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types (Continued)  
 For the Fiscal Year Ended June 30, 2000

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$35,323	\$35,329	\$6
Intergovernmental	2,402,883	2,285,854	(117,029)
Interest	0	0	0
Tuition and Fees	0	0	0
Charges for Services	0	0	0
Extracurricular Activities	93,500	93,567	67
Miscellaneous	11,863	10,371	(1,492)
<b>Total Revenues</b>	<b>2,543,569</b>	<b>2,425,121</b>	<b>(118,448)</b>
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	1,190,079	902,570	287,509
Special	1,091,888	858,645	233,243
Vocational	34,171	32,527	1,644
Adult/Continuing	0	0	0
Other	0	0	0
<u>Support Services:</u>			
Pupils	54,981	50,529	4,452
Instructional Staff	174,243	157,529	16,714
Board of Education	0	0	0
Administration	126,745	140,751	(14,006)
Fiscal	13,000	4,270	8,730
Business	0	0	0
Operation and Maintenance of Plant	6,000	6,000	0
Pupil Transportation	5,413	5,005	408
Central	6,133	5,134	999
Extracurricular Activities	120,664	109,764	10,900
Capital Outlay	73,025	70,447	2,578
<u>Debt Service:</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>2,896,342</b>	<b>2,343,171</b>	<b>553,171</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(352,773)</b>	<b>81,950</b>	<b>434,723</b>
<u>Other Financing Sources (Uses):</u>			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Operating Transfer Out	0	0	0
Advances In	0	0	0
Advances Out	0	(31,317)	(31,317)
Refund of Prior Year Expenditures	14,534	24,651	10,117
Refund of Prior Year Receipts	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>14,534</b>	<b>(6,666)</b>	<b>(21,200)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(338,239)</b>	<b>75,284</b>	<b>413,523</b>
Fund Balances at Beginning of Year	388,774	388,774	0
Prior Year Encumbrances Appropriated	52,149	52,149	0
<b>Fund Balances at End of Year</b>	<b>\$102,684</b>	<b>\$516,207</b>	<b>\$413,523</b>

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$402,087	\$402,891	\$804	\$0	\$0	\$0
20,263	20,303	40	3,910,358	4,389,793	479,435
2,499	16,486	13,987	36,955	46,962	10,007
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>424,849</u>	<u>439,680</u>	<u>14,831</u>	<u>3,947,313</u>	<u>4,436,755</u>	<u>489,442</u>
0	0	0	152,450	142,450	10,000
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,000,000	671,314	328,686
0	0	0	3,437	13,438	(10,001)
20,000	7,130	12,870	0	1,000	(1,000)
0	0	0	0	0	0
0	0	0	384,927	8,156	376,771
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	78,202	79,853	(1,651)
7,301,445	7,301,445	0	0	0	0
86,159	86,159	0	0	0	0
<u>7,407,604</u>	<u>7,394,734</u>	<u>12,870</u>	<u>1,619,016</u>	<u>916,211</u>	<u>702,805</u>
<u>(6,982,755)</u>	<u>(6,955,054)</u>	<u>27,701</u>	<u>2,328,297</u>	<u>3,520,544</u>	<u>1,192,247</u>
6,996,905	6,996,905	0	0	0	0
0	0	0	5,506,020	6,997,000	1,490,980
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>6,996,905</u>	<u>6,996,905</u>	<u>0</u>	<u>5,506,020</u>	<u>6,997,000</u>	<u>1,490,980</u>
14,150	41,851	27,701	7,834,317	10,517,544	2,683,227
14,829	14,829	0	24,057	24,057	0
0	0	0	24,910	24,910	0
<u>\$28,979</u>	<u>\$56,680</u>	<u>\$27,701</u>	<u>\$7,883,284</u>	<u>\$10,566,511</u>	<u>\$2,683,227</u>

(continued)



**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types (Continued)  
 For the Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$4,319,890	\$3,940,177	(\$379,713)
Intergovernmental	14,961,286	16,476,844	1,515,558
Interest	180,624	223,760	43,136
Tuition and Fees	40,035	45,464	5,429
Charges for Services	11,989	13,615	1,626
Extracurricular Activities	93,500	93,567	67
Miscellaneous	92,186	61,586	(30,600)
<b>Total Revenues</b>	<b>19,699,510</b>	<b>20,855,013</b>	<b>1,155,503</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	10,658,000	6,231,457	4,426,543
Special	1,110,658	2,061,976	(951,318)
Vocational	122,863	1,118,629	(995,766)
Adult/Continuing	0	1,774	(1,774)
Other	491,790	547,324	(55,534)
<b>Support Services:</b>			
Pupils	2,235,045	554,618	1,680,427
Instructional Staff	299,423	669,164	(369,741)
Board of Education	1,075,952	748,063	327,889
Administration	400,404	1,446,397	(1,045,993)
Fiscal	269,764	365,133	(95,369)
Business	3,217	119,944	(116,727)
Operation and Maintenance of Plant	985,646	1,057,372	(71,726)
Pupil Transportation	596,124	1,690,821	(1,094,697)
Central	8,198	108,750	(100,552)
Extracurricular Activities	130,664	267,789	(137,125)
Capital Outlay	332,737	297,282	35,455
<b>Debt Service:</b>			
Principal Retirement	7,301,445	7,301,445	0
Interest and Fiscal Charges	86,159	86,159	0
<b>Total Expenditures</b>	<b>26,108,089</b>	<b>24,674,097</b>	<b>1,433,992</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,408,579)</b>	<b>(3,819,084)</b>	<b>2,589,495</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of Bonds	6,996,905	6,996,905	0
Proceeds of Notes	5,506,020	6,997,000	1,490,980
Operating Transfer Out	(126,300)	(126,300)	0
Advances In	31,317	31,317	0
Advances Out	0	(31,317)	(31,317)
Refund of Prior Year Expenditures	54,889	65,006	10,117
Refund of Prior Year Receipts	(500)	(18,172)	(17,672)
<b>Total Other Financing Sources (Uses)</b>	<b>12,462,331</b>	<b>13,914,439</b>	<b>1,452,108</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>6,053,752</b>	<b>10,095,355</b>	<b>4,041,603</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,117,891</b>	<b>2,117,891</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>243,034</b>	<b>243,034</b>	<b>0</b>
<b>Fund Balances at End of Year</b>	<b>\$8,414,677</b>	<b>\$12,456,280</b>	<b>\$4,041,603</b>

See accompanying notes to the general purpose financial statements

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues,  
 Expenses and Changes in Retained Earnings/Fund Balance  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
<u>Revenues:</u>				
Sales	\$380,484	\$0	\$0	\$380,484
Charges for Services	0	1,322,755	0	1,322,755
Interest Income	0	0	5,396	5,396
Total Revenues	380,484	1,322,755	5,396	1,708,635
<u>Expenses:</u>				
Salaries	294,608	0	0	294,608
Fringe Benefits	117,989	0	0	117,989
Purchased Services	323	203,500	0	203,823
Materials and Supplies	29,211	0	0	29,211
Cost of Sales	334,507	0	0	334,507
Claims	0	1,322,312	0	1,322,312
Depreciation	235	0	0	235
Other	0	0	4,692	4,692
Total Expenses	776,873	1,525,812	4,692	2,307,377
Operating Income (Loss)	(396,389)	(203,057)	704	(598,742)
<u>Non-Operating Revenues:</u>				
Federal Donated Commodities	65,351	0	0	65,351
Interest Income	387	0	0	387
Federal and State Subsidies	300,609	0	0	300,609
Total Non-Operating Revenues	366,347	0	0	366,347
Net Income (Loss) before Operating Transfers	(30,042)	(203,057)	704	(232,395)
Operating Transfers In	21,300	105,000	0	126,300
Net Income (Loss) after Operating Transfers	(8,742)	(98,057)	704	(106,095)
Retained Earnings (Deficits)/Fund Balance at Beginning of Year	(68,462)	(87,071)	111,431	(44,102)
Retained Earnings (Deficits)/Fund Balance at End of Year	(\$77,204)	(\$185,128)	\$112,135	(\$150,197)

See accompanying notes to the general purpose financial statements

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Fiscal Year Ended June 30, 2000

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$380,178	\$380,434	\$256
Charges for Services	0	0	0
Interest Income	387	387	0
Federal and State Subsidies	306,684	306,677	(7)
<b>Total Revenues</b>	<b>687,249</b>	<b>687,498</b>	<b>249</b>
<u>Expenses:</u>			
Salaries	299,000	292,413	6,587
Fringe Benefits	180,600	121,028	59,572
Purchased Services	400	323	77
Materials and Supplies	233,338	297,350	(64,012)
Capital Outlay	0	0	0
Other	0	0	0
<b>Total Expenses</b>	<b>713,338</b>	<b>711,114</b>	<b>2,224</b>
Excess of Revenues Over (Under) Expenses	(26,089)	(23,616)	2,473
Operating Transfers In	21,300	21,300	0
Excess of Revenues Over (Under) Expenses and Operating Transfers In	(4,789)	(2,316)	2,473
Fund Equity at Beginning of Year	5,500	5,500	0
Prior Year Encumbrances Appropriated	13	13	0
<b>Fund Equity at End of Year</b>	<b>\$724</b>	<b>\$3,197</b>	<b>\$2,473</b>

Internal Service Fund			Non-Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
1,323,500	1,326,563	3,063	0	0	0
0	0	0	5,000	6,441	1,441
0	0	0	0	0	0
<u>1,323,500</u>	<u>1,326,563</u>	<u>3,063</u>	<u>5,000</u>	<u>6,441</u>	<u>1,441</u>
0	0	0	0	0	0
1,454,049	1,448,406	5,643	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	9,000	4,692	4,308
<u>1,454,049</u>	<u>1,448,406</u>	<u>5,643</u>	<u>9,000</u>	<u>4,692</u>	<u>4,308</u>
(130,549)	(121,843)	8,706	(4,000)	1,749	5,749
<u>105,000</u>	<u>105,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(25,549)	(16,843)	8,706	(4,000)	1,749	5,749
13,784	13,784	0	109,126	109,126	0
<u>24,049</u>	<u>24,049</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$12,284</u>	<u>\$20,990</u>	<u>\$8,706</u>	<u>\$105,126</u>	<u>\$110,875</u>	<u>\$5,749</u>

(continued)

**Morgan Local School District, Ohio**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types and Similar Trust Fund (Continued)  
 For the Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$380,178	\$380,434	\$256
Charges for Services	1,323,500	1,326,563	3,063
Interest Income	5,387	6,828	1,441
Federal and State Subsidies	306,684	306,677	(7)
	<u>2,015,749</u>	<u>2,020,502</u>	<u>4,753</u>
<u>Expenses:</u>			
Salaries	299,000	292,413	6,587
Fringe Benefits	1,634,649	1,569,434	65,215
Purchased Services	400	323	77
Materials and Supplies	233,338	297,350	(64,012)
Capital Outlay	0	0	0
Other	9,000	4,692	4,308
	<u>2,176,387</u>	<u>2,164,212</u>	<u>12,175</u>
Excess of Revenues Over (Under) Expenses	(160,638)	(143,710)	16,928
Operating Transfers In	<u>126,300</u>	<u>126,300</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Operating Transfers In	(34,338)	(17,410)	16,928
Fund Equity at Beginning of Year	128,410	128,410	0
Prior Year Encumbrances Appropriated	<u>24,062</u>	<u>24,062</u>	<u>0</u>
Fund Equity at End of Year	<u>\$118,134</u>	<u>\$135,062</u>	<u>\$16,928</u>

See accompanying notes to the general purpose financial statements

**Morgan Local School District, Ohio**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Fiscal Year Ended June 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Sales	\$380,434	\$0	\$0	\$380,434
Cash Received from Quasi-External Transactions with Other Funds	0	1,326,563	0	1,326,563
Cash Payments for Employee Services and Benefits	(413,441)	0	0	(413,441)
Cash Payments to Suppliers for Goods and Services	(297,673)	(205,474)	0	(503,147)
Cash Payments for Claims	0	(1,316,549)	0	(1,316,549)
Other Operating Expenses	0	0	(4,692)	(4,692)
Net Cash Used for Operating Activities	<u>(330,680)</u>	<u>(195,460)</u>	<u>(4,692)</u>	<u>(530,832)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Transfers In	21,300	105,000	0	126,300
Operating Grants Received	306,677	0	0	306,677
Net Cash Provided by Noncapital Financing Activities	<u>327,977</u>	<u>105,000</u>	<u>0</u>	<u>432,977</u>
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	387	0	6,441	6,828
Net Cash Provided by Investing Activities	<u>387</u>	<u>0</u>	<u>6,441</u>	<u>6,828</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,316)	(90,460)	1,749	(91,027)
Cash and Cash Equivalents at Beginning of Year	<u>5,513</u>	<u>153,697</u>	<u>9,126</u>	<u>168,336</u>
Cash and Cash Equivalents at End of Year	<u>\$3,197</u>	<u>\$63,237</u>	<u>\$10,875</u>	<u>\$77,309</u>

(continued)

**Morgan Local School District, Ohio**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Similar Trust Fund (Continued)  
 For the Fiscal Year Ended June 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss)	(\$396,389)	(\$203,057)	\$704	(\$598,742)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:				
Depreciation	235	0	0	235
Donated Commodities Used During the Year	65,351	0	0	65,351
Interest Income	0	0	(5,396)	(5,396)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(50)	951	0	901
(Increase) Decrease in Prepaid Items	355	(2,165)	0	(1,810)
Increase in Materials and Supplies Inventory	261	0	0	261
Increase in Inventory Held for Resale	756	0	0	756
Decrease in Accounts Payable	0	(270)	0	(270)
Increase in Accrued Salaries and Benefits Payable	2,570	0	0	2,570
Decrease in Intergovernmental Payable	(3,041)	0	0	(3,041)
Increase in Deferred Revenue	0	3,318	0	3,318
Decrease in Compensated Absences Payable	(728)	0	0	(728)
Increase in Claims Payable	0	5,763	0	5,763
Net Cash Used for Operating Activities	<u>(\$330,680)</u>	<u>(\$195,460)</u>	<u>(\$4,692)</u>	<u>(\$530,832)</u>
Cash and Cash Equivalents - All Fiduciary Funds		\$68,631		
Cash and Cash Equivalents - Agency Funds		<u>(57,756)</u>		
Cash and Cash Equivalents - Non-Expendable Trust Fund		<u>\$10,875</u>		

See accompanying notes to the general purpose financial statements

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

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

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

The School District is a consolidation of seven small communities. Each community had a kindergarten through 12<sup>th</sup> grade building. In 1966, a consolidated high school was built to serve Morgan County and the seven different community buildings were converted to kindergarten through 8<sup>th</sup> grade buildings. The newest of the seven elementary buildings was built in 1935. The other buildings were built in the 1920's or earlier with the oldest building being built in the 1890's.

The School District is staffed by 128 classified employees and 202 certificated full-time teaching personnel who provide services to 2,485 students and other community members. The School District currently operates eight instructional buildings, one administrative office site, and one garage.

**Reporting Entity:**

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

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

The School District is associated with two jointly governed organizations and one insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.



**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

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

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

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

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

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

**Governmental Fund Types:**

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

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

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

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

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**Proprietary Fund Types:**

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

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

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

**Fiduciary Fund Types:**

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

**Account Groups:**

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

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

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

**C. Budgetary Data**

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

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Morgan County Budget Commission for rate determination.

**Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 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 is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The Treasurer has been given the authority to allocate appropriations among functions and objects within a fund during the fiscal year. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds other than agency funds, consistent with statutory provisions.

**Encumbrances:**

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2000, investments consisted of STAR Ohio and Federal Agency Security Bonds, which are reported at fair value based on quoted market prices; commercial paper and Federal Agency Security Notes, which are reported at amortized cost; and nonparticipating certificates of deposit, which are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$162,945, which includes \$119,360 assigned from other School District funds.

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

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

**E. Inventory**

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

**H. Fixed Assets and Depreciation**

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

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

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

**I. 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
  - Special Revenue Funds
    - Disadvantage Pupil Impact Aid

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

Non-Reimbursable Grants

- Special Revenue Funds
  - Career Development
  - Comprehensive School Reform
  - Drug-Free Schools
  - Education Management Information Systems
  - Eisenhower
  - Equity in School to Work
  - Financial Literacy Grant
  - Instructional Material Subsidy
  - Intervention Grant
  - Public Preschool Grant
  - Service Learning Grant
  - Special Education Transition Funding
  - Teacher Development
  - Textbook Subsidy
  - Title I
  - Title VI
  - Title VI-B
  - Venture Capital
  - Vocational Education
- Capital Projects Funds
  - Schoolnet
  - Technology Equity
  - Video Distance Learning

Reimbursable Grants

- General Fund
  - Driver Education
- Special Revenue Funds
  - Appalachian Rural Systemic Initiative
- Capital Project Funds
  - Appalachian Regional Commission
  - Emergency Building Repair
- Proprietary Funds
  - National School Lunch Program
  - National School Breakfast Program
  - Government Donated Commodities

Grants and entitlements received in governmental funds amounted to seventy-eight percent of the governmental fund revenue during the 2000 fiscal year.

**J. Interfund Assets/Liabilities**

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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**K. Compensated Absences**

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

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

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

**L. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds, the long-term note, capital leases, and the tax refund payable are reported as a liability of the general long-term obligations account group until due or until money has been provided for payment early in the following fiscal year.

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

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

At fiscal year end, the Technology Preparation Special Revenue Fund and the Schoolnet Capital Projects fund had deficit cash balances of \$7,823 and \$86,000, respectively. On a GAAP basis, the General Fund loaned the needed cash to these funds; therefore, the General Fund reflects an interfund receivable for \$93,823.



**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

**O. Estimates**

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

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

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

**NOTE 3 - FUND DEFICITS**

The following funds had deficit fund balances/retained earnings as of June 30, 2000:

	<u>Deficit Fund Balances/ Retained Earnings</u>
<u>Special Revenue Funds:</u>	
Disadvantaged Pupil Impact Aid	\$49,344
Technical Preparation Software	7,823
 <u>Enterprise Fund:</u>	
Food Service	80,405
 <u>Internal Service Fund:</u>	
Employee Benefits Self-Insurance	185,128

The deficits are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur. The School District is analyzing proprietary fund operations to determine appropriate steps to alleviate the deficit retaining earnings.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

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

All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$111,983)	\$79,453	\$7,318,349	\$3,469,307
Revenue Accruals	(137,385)	3,865	(96,767)	(287,953)
Expenditure Accruals	(74,703)	95,591	0	168,993
Prepaid Items	2,970	(1,820)	0	0
Note Proceeds	0	0	0	6,997,000
Interest and Fiscal Charges	0	0	0	170,696
Advances In	31,317	0	0	0
Advances Out	0	(31,317)	0	0
Encumbrances	(249,540)	(70,488)	(7,179,731)	(499)
Budget Basis	(\$539,324)	\$75,284	\$41,851	\$10,517,544

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

	Enterprise	Internal Service	Non- Expendable Trust
GAAP Basis	(\$8,742)	(\$98,057)	\$704
Revenue Accrual	6,018	3,808	1,045
Expense Accrual	(1,199)	95,241	0
Prepaid Items	355	2,165	0
Materials and Supplies Inventory	261	0	0
Inventory Held for Resale	756	0	0
Depreciation Expense	235	0	0
Non-Budgeted Activity	0	(22,247)	0
Encumbrances	0	(20,000)	0
Budget Basis	(\$2,316)	(\$16,843)	\$1,749

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**Morgan Local School District, Ohio**  
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Interim monies to be deposited or invested in the following securities:

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

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

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

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$673,272 and the bank balance was \$977,114. Of the bank balance, \$122,507 was covered by federal depository insurance and \$854,607 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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**Investments:** The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Interest Rates	Category 3	Fair Value
Federal Agency Securities	5.835%-5.875%	\$12,448,767	\$12,448,767
Commercial Paper	6.04%	1,754,159	1,754,159
STAR Ohio			5,599,841
			\$19,802,767

The Federal Agency Securities have maturities ranging from July 6, 2000, to July 2, 2001. The Commercial Paper matures on July 10, 2000.

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$6,173,113	\$14,302,926
Investments of the Cash Management Pool:		
Certificates of Deposit	100,000	(100,000)
STAR Ohio	(5,599,841)	5,599,841
GASB Statement 3	\$673,272	\$19,802,767

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

**Morgan Local School District, Ohio**  
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2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$108,235,140	69.5%	\$110,206,200	70.0%
Public Utility	21,059,010	13.5	20,727,950	13.2
Tangible Personal Property	26,543,219	17.0	26,487,580	16.8
Total Assessed Value	\$155,837,369	100.0%	\$157,421,730	100.0%
Tax rate per \$1,000 of assessed valuation	\$32.50		\$35.76	

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 fiscal year operations. The amount available as an advance at June 30, 2000 was \$112,286 in the General Fund, \$14,544 in the Bond Retirement Fund, and \$2,634 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 1999, was \$18,324, which is recognized as revenue in the General Fund.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, accrued interest, due from other funds, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<b>General Fund:</b>	
Customer Services	\$7,656
Tuition Payments	3,457
Transportation	19,954
CAFS Reimbursement	19,155
Driver's Education	10,400
Total General Fund	60,622
<b>Special Revenue Funds:</b>	
Schoolnet Professional Development	1,000
Continuous Improvement	9,568
Total Special Revenue Funds	10,568
<b>Capital Projects Fund:</b>	
School Net	86,000
<b>Enterprise Fund:</b>	
National School Lunch Program	38,939
Grand Total	\$196,129

**NOTE 8 - FIXED ASSETS**

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

Furniture and Equipment	\$87,673
Less Accumulated Depreciation	(87,375)
Net Fixed Assets	\$298

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$393,269	\$139,500	\$0	\$532,769
Buildings and Improvements	5,277,934	2,600	0	5,280,534
Furniture, Fixtures and Equipment	2,266,132	225,790	81,596	2,410,326
Vehicles	2,092,903	280,712	215,167	2,158,448
Construction in Progress	0	600,146	0	600,146
<b>Total General Fixed Assets</b>	<b>\$10,030,238</b>	<b>\$1,248,748</b>	<b>\$296,763</b>	<b>\$10,982,223</b>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for all of the insurances listed below. Coverages provided by Nationwide Insurance are as follows:

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

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). 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.



**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

Medical, dental, and vision insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$165,267 reported in the internal service fund at June 30, 2000, is based on an estimate provided by the third party administrator. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for fiscal year 1999 and 2000 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1999	\$271,465	\$1,043,071	\$1,155,032	\$159,504
2000	159,504	1,322,312	1,316,549	165,267

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$90,485, \$145,223 and \$145,459, respectively; 28 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$65,157 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 School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent (of which the School District picks up 5 percent) of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1999, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$495,736, \$800,404 and \$1,060,517, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$98,485 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$660,982 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$178,861.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Other Employee Insurances**

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

**NOTE 13 - CONTRACTUAL COMMITMENTS**

As of June 30, 2000, the School District had contractual commitments for school building renovations and construction with various vendors in the amount of \$2,859,018. As of June 30, 2000, the School District paid \$600,146 on the project and the remaining balance on the contracts is \$2,258,872.

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for copier and risographier equipment and modular classrooms. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of copiers have been capitalized in the general fixed assets account group in the amount of \$109,321. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$43,415 in the governmental funds.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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, 2000.

Fiscal Year Ending June 30,	GLTOAG
2001	\$25,148
2002	25,148
2003	25,148
2004	8,383
Total	83,827
Less: Amount Representing Interest	(7,394)
Present Value of Net Minimum Lease Payments	\$76,433

**NOTE 15 - LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
Energy Conservation Long-Term Note - 5%	\$256,383	\$0	\$48,078	\$208,305
Energy Conservation Improvement Bonds -5%	315,756	0	28,636	287,120
School Bus Acquisition Bonds - Varying Percentages	725,000	0	30,000	695,000
School Bus Acquisition Bonds - Varying Percentages	520,000	0	15,000	505,000
General Obligation Classroom Facilities Bonds -Varying Percentages	0	6,996,905	0	6,996,905
Tax Refund	71,725	0	17,931	53,794
Capital Leases	119,848	0	43,415	76,433
Pension Obligation	107,972	119,545	107,972	119,545
Compensated Absences	1,042,958	145,672	165,592	1,023,038
Total General Long-Term Obligations	\$3,159,642	\$7,262,122	\$456,624	\$9,965,140

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

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

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

*Classroom Facilities General Obligation Bonds* - On April 1, 2000, Morgan Local School District issued \$6,996,905 in voted general obligation bonds for constructing a new elementary and middle school and improvements to its high school facilities which represents the School District's share of the School Facilities Loan project. The bonds were issued for a 23 year period with final maturity on December 1, 2022. The debt will be repaid through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund to meet future obligations.

*School Facilities Loan* - On November 24, 1999, the School District was awarded \$19,915,686 (of which the School District received \$4,244,359 in fiscal year 2000) for the construction of a new elementary and middle school and improvements to its high school facilities under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Generally, the School District repays the State for its contributions by levying an additional property tax of one-half mill for a twenty-three period. The School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$19,915,686 to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set-aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. Based on the School District's adjusted valuation relative to the state-wide median adjusted valuation, this possibility appears remote.

Principal and interest debt service requirements to maturity on the energy conservation long-term note and bonds, the school bus acquisition bonds, and the school facilities bonds including \$21,005, \$61,090, \$252,202, \$180,233 and \$6,686,828 in interest, respectively, are as follows:

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

Year Ending June 30	Energy Conservation Long-Term Note	Energy Conservation Improvement Bonds	School Bus Acquisition Bonds	School Bus Acquisition Bonds	School Facilities Bonds
2001	\$59,820	\$43,672	\$66,387	\$47,562	\$404,964
2002	59,820	43,634	69,700	51,337	463,962
2003	59,820	43,595	67,900	50,003	472,269
2004	49,850	43,553	66,100	48,667	474,919
2005	0	43,509	69,187	47,333	501,387
2006-2010	0	130,247	338,568	248,350	2,679,607
2011-2015	0	0	269,360	191,981	3,071,175
2016-2020	0	0	0	0	3,393,462
2021-2023	0	0	0	0	2,221,988
<b>Total</b>	<u>\$229,310</u>	<u>\$348,210</u>	<u>\$947,202</u>	<u>\$685,233</u>	<u>\$13,683,733</u>

The tax refund of \$53,794 is a long-term obligation for a repayment of taxes to Texas Eastern Transmission Corporation, a public utility company, for tax years 1992 through 1996. The repayment of taxes will be deducted over five tax settlements by the Morgan County Auditor. No interest is required for the refund.

Year Ending June 30	Tax Refund
2001	\$17,931
2002	17,931
2003	17,932
<b>Total</b>	<u>\$53,794</u>

The School District's overall legal debt margin was \$7,324,498, with an unvoted debt margin of \$157,422 at June 30, 2000.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**NOTE 16 - NOTE ACTIVITY**

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

	Outstanding 06/30/99	Additions	Reductions	Outstanding 06/30/00
Classroom Facilities Capital Projects Fund:				
Classroom Facilities Bond				
Anticipation Note - 4.52%	\$0	\$6,997,000	\$0	\$6,997,000

The note was issued to finance the School District's portion of the Classroom Facilities Program until bonds were issued. The note, issued in December, 1999, matures on July 14, 2000, and will be paid by the bond proceeds.

**NOTE 17 - INTERFUND ACTIVITY**

Interfund balances at June 30, 2000, consist of the following individual fund receivables and payables:

<u>Due from/Due to Other Funds</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	\$514	\$0
Payroll Agency Fund	0	514
Total Due from/Due to Other Funds	\$514	\$514
<u>Interfund Receivable/Payable</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	\$94,182	\$0
Tech Prep Software Special Revenue Fund	0	7,823
Capital Projects Funds:		
Emergency Repair	0	359
Schoolnet	0	86,000
Total Capital Projects Funds	0	86,359
Total Interfund Receivable/Payable	\$94,182	\$94,182

**NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

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

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$344,928	\$35,556	\$380,484
Depreciation Expense	235	0	235
Operating Loss	(395,891)	(498)	(396,389)
Donated Commodities	65,351	0	65,351
Interest Income	387	0	387
Operating Grants	300,609	0	300,609
Operating Transfers In	21,300	0	21,300
Net Loss	(8,244)	(498)	(8,742)
Net Working Capital	(56,921)	3,202	(53,719)
Total Assets	61,746	3,202	64,948
Long-Term Liabilities Paid from Fund Revenues	23,783	0	23,783
Total Equity (Deficit)	(80,406)	3,202	(77,204)

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

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

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



**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**B. Coalition of Rural and Appalachian Schools**

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

**NOTE 20 - INSURANCE PURCHASING POOL**

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

**NOTE 21 - SET-ASIDE CALCULATIONS**

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

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

	Textbooks/ Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$160,639
Current Year Set-aside Requirement	260,916	260,916	86,972
Current Year Offsets	0	0	(76,683)
Qualifying Disbursements	(207,395)	(711,252)	0
Set-aside Balance Carried Forward to Future Fiscal Years	\$53,521	(\$450,336)	\$170,928
Set-aside Reserve Balance as of June 30, 2000	\$53,521	\$0	\$170,928

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$224,449.

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

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

**NOTE 23 - STATE FOUNDATION FUNDING**

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 \$9,062,558 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had been awarded a total of \$19.9 million under this program.

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 these programs and on its financial operations.

**Morgan Local School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**NOTE 24 - SUBSEQUENT EVENT**

Legislation effective September 14, 2000, eliminates any possibility that money received by the School District under the State's School Facilities Program will need to be repaid.

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$36,059	-	\$36,059	-
National School Lunch Program	n/a	10.555	249,804	-	249,804	-
Total Nutrition Cluster			285,863	-	285,863	-
Food Distribution Program	n/a	10.550	-	67,647	-	65,350
			-	67,647	-	65,350
<b>Total U.S. Department of Agriculture</b>			285,863	67,647	285,863	65,350
<b>U.S. DEPARTMENT OF EDUCATION:</b>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	048777C1S100 048777C1S199	84.010	749,075 0 749,075	- - -	524,600 226,334 750,934	- - -
Special Education Cluster:						
Title VI-B Special Education Assistance for handicapped Children	0487776BSF00 0487776BSF99	84.027	138,795 0	- -	113,108 18,072	- -
Preschool Grants for Children	048777PGS100	84.173	9,260 148,055	- -	8,930 140,110	- -
Vocational Education	04877720C100 04877720C199	84.048	57,927 9,253 67,180	- - -	55,533 7,344 62,877	- - -
Drug Free Schools	048777DRS100	84.186	25,885 25,885	- -	25,885 25,885	- -
Goals 2000	048777G2S300 048777G2S299 048777G2S197	84.276	30,000 120,000 - 150,000	- - - -	13,577 92,941 3,302 109,820	- - - -
Eisenhower Professional Dev. Grant	048777MSS100 048777MSS199	84.281	14,731 - 14,731	- - -	14,731 3,372 18,103	- - -
Innovative Education Program Strategies	048777C2S200 048777C2S299	84.298	12,657 1,800 14,457	- - -	8,410 2,016 10,426	- - -
Comprehensive School Reform	048777RFS100 048777RFS199	84.332	44,710 - 44,710	- - -	36,055 46,470 82,525	- - -
Reading Excellence	048777RNS100	84.338	26,783 26,783	- -	- -	- -
Title VI-R Class Size Reduction	048777CRS100	84.340	78,298 78,298	- -	58,565 58,565	- -
<b>Total U.S. Department of Education</b>			1,319,174	-	1,259,245	-
<b>U.S. DEPARTMENT OF LABOR</b>						
Pass through Ohio Department of Labor						
School to Work	048777WKBEO0	17.249	37,978	-	30,847	-
<b>Total U.S. Department of Labor</b>			37,978	-	30,847	-
<b>Total Federal Awards Expenditures</b>			<b>\$ 1,643,015</b>	<b>\$ 67,647</b>	<b>\$ 1,575,955</b>	<b>\$ 65,350</b>

See notes to Schedule of Federal Awards Expenditures.

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTE A – Significant Account Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with the state grants. It is assumed that federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

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

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

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

We have audited the combined financial statements of Morgan Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 22, 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 Morgan Local School District's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Morgan Local School District in a separate letter dated November 22, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Morgan Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Morgan Local School District in a separate letter dated November 22, 2000.

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

Wolfe, Wilson, & Phillips, Inc.  
Zanesville, Ohio  
November 22, 2000

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

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

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

Compliance

We have audited the compliance of Morgan Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. Morgan Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morgan Local School District management. Our responsibility is to express an opinion on Morgan Local School District compliance based on our audit.

We conducted our audit of compliance in accordance with 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan Local School District compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Morgan Local School District compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

Wolfe, Wilson, & Phillips, Inc.  
Zanesville, Ohio  
November 22, 2000



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

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY  
JUNE 30, 2000**

**1. AUDITOR'S RESULTS**

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

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

NONE

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

NONE



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**MORGAN LOCAL SCHOOL DISTRICT**

**MORGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 02, 2001**