NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 28, 2001

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NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
ASSETS AND OTHER DEBITS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
ASSETS:										
Equity in pooled cash and cash equivalents	$290,685	$314,487	$362,996	$3,326,200	$20,415	$99,183	$71,396			$4,485,362
Cash with escrow agent				1,012,028						1,012,028
Investments in segregated accounts				2,023,970			2,122			2,026,092
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent	1,938,828	44,067	320,331	39,313						2,342,539
Accounts	43	756			105					904
Accrued interest							5			5
Due from other governments	4,570	56,252	886	73						61,781
Prepayments	8,261									8,261
Materials and supplies inventory	14,123									14,123
Inventory held for resale					6,552					6,552
Restricted assets:										
Equity in pooled cash and cash equivalents	132,934									132,934
Property, plant and equipment (net of accumulated depreciation where applicable)					9,829			$7,967,567		7,977,396
OTHER DEBITS:										
Amount available in debt service fund									$397,197	397,197
Amount to be provided for retirement of general long-term obligations									4,656,466	4,656,466
Total assets and other debits	$2,389,444	$415,562	$684,213	$6,401,584	$36,901	$99,183	$73,523	$7,967,567	$5,053,663	$23,121,640

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

--Continued

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	$27,215	$23,413					$2,500			$53,128
Contracts payable				$79,463			26,283			105,746
Accrued wages and benefits	708,367	86,336			$28,344					823,047
Compensated absences payable	24,031				3,411				$386,581	414,023
Pension obligation payable	110,568	14,500			11,598				68,054	204,720
Early retirement incentive payable									20,000	20,000
Claims payable						$267,018				267,018
Deferred revenue	1,476,878	26,678	$287,016	30,955	3,438					1,824,965
Due to other governments						90,154				90,154
Due to students							39,396			39,396
General obligation bonds payable									3,617,000	3,617,000
Lease-purchase agreement payable									962,028	962,028
Total liabilities	2,347,059	150,927	287,016	110,418	46,791	357,172	68,179		5,053,663	8,421,225
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								$7,967,567		7,967,567
Contributed capital					25,891					25,891
Retained earnings (accumulated deficit): unreserved					(35,781)	(257,989)				(293,770)
Fund balances:										
Reserved for encumbrances	80,001	13,546		289,975			2,630			386,152
Reserved for prepayments	8,261									8,261
Reserved for material and supplies inventory	14,123									14,123
Reserved for debt service			368,690							368,690
Reserved for tax revenue unavailable for appropriation	417,427	40,955	28,507	7,835						494,724
Reserved for BWC refunds	41,643									41,643
Reserved for textbooks	91,291									91,291
Unreserved-undesignated (deficit)	(610,361)	210,134		5,993,356			2,714			5,595,843
Total equity and other credits	42,385	264,635	397,197	6,291,166	(9,890)	(257,989)	5,344	7,967,567		14,700,415
Total liabilities, equity and other credits	$2,389,444	$415,562	$684,213	$6,401,584	$36,901	$99,183	$73,523	$7,967,567	$5,053,663	$23,121,640

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

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues:						
From local sources:						
Taxes	$1,735,223	$75,334	$272,735	$31,655		$2,114,947
Tuition	17,922					17,922
Earnings on investments	67,163			227,756	$9,986	304,905
Extracurricular activities		182,563				182,563
Other local revenues	39,740	11,982	4,053		111,025	166,800
Other revenue	30,000					30,000
Intergovernmental - State	5,047,859	225,261	37,466	2,460,075		7,770,661
Intergovernmental - Federal		591,894				591,894
Total revenue	6,937,907	1,087,034	314,254	2,719,486	121,011	11,179,692
Expenditures:						
Current:						
Instruction:						
Regular	3,201,171	270,021		58,654		3,529,846
Special	668,539	383,466				1,052,005
Vocational	112,029	29				112,058
Other	15,377	4,852			150	20,379
Support services:						
Pupil	235,980	36,982				272,962
Instructional staff	381,242	92,637		734		474,613
Board of Education	21,152					21,152
Administration	728,752	7,424				736,176
Fiscal	221,232					221,232
Operations and maintenance	717,314	12,000			282,196	1,011,510
Pupil transportation	521,889	13,698				535,587
Central				378,380		378,380
Community services	2,381	11,926				14,307
Extracurricular activities	116,790	162,971				279,761
Facilities acquisition and construction	103,084	748		24,073	2,500	130,405
Debt service:						
Principal retirement			115,000	3,037,000		3,152,000
Interest and fiscal charges			150,780	108,193		258,973
Total expenditures	7,046,932	996,754	265,780	3,607,034	284,846	12,201,346
Excess (deficiency) of revenues over (under) expenditures	(109,025)	90,280	48,474	(887,548)	(163,835)	(1,021,654)
Other financing sources (uses):						
Operating transfers in	6,238	4,786	50,000			61,024
Operating transfers out	(109,032)	(4,328)			(50,000)	(163,360)
Proceeds from sale of fixed assets	80					80
Proceeds from sale of bonds				3,037,000		3,037,000
Accrued interest on bonds sold				11,265		11,265
Proceeds from lease-purchase agreement				1,012,028		1,012,028
Total other financing sources (uses)	(102,714)	458	50,000	4,060,293	(50,000)	3,958,037
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(211,739)	90,738	98,474	3,172,745	(213,835)	2,936,383
Fund balances, July 1	257,830	173,897	298,723	3,118,421	219,179	4,068,050
Decrease in reserve for inventory	(3,706)					(3,706)
Fund balances, June 30	$42,385	$264,635	$397,197	$6,291,166	$5,344	$7,000,727

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

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

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	$1,913,191	$1,913,191	$0	$35,462	$35,462	$0	$333,708	$333,708	$0	$40,916	$40,916	$0	$2,323,277	$2,323,277	$0
Tuition	17,922	17,922	0										17,922	17,922	0
Earnings on investments	69,071	69,280	209							195,672	196,755	1,083	264,743	266,035	1,292
Extracurricular activities				181,817	182,268	451							181,817	182,268	451
Other local revenues	39,770	39,817	47	11,982	11,982	0	4,053	4,053	0				55,805	55,852	47
Other revenue	30,000	30,000	0										30,000	30,000	0
Intergovernmental - State	5,044,192	5,044,239	47	226,554	226,556	2	36,570	36,580	10	2,460,001	2,460,002	1	7,767,317	7,767,377	60
Intergovernmental - Federal				609,781	563,147	(46,634)							609,781	563,147	(46,634)
Total revenues	7,114,146	7,114,449	303	1,065,596	1,019,415	(46,181)	374,331	374,341	10	2,696,589	2,697,673	1,084	11,250,662	11,205,878	(44,784)
Expenditures:															
Current:															
Instruction:															
Regular	3,380,200	3,327,134	53,066	319,293	271,104	48,189				79,928	58,905	21,023	3,779,421	3,657,143	122,278
Special	655,721	654,533	1,188	468,403	376,337	92,066							1,124,124	1,030,870	93,254
Vocational	121,955	121,905	50	55	29	26							122,010	121,934	76
Other	15,378	15,376	2	13,922	4,810	9,112							29,300	20,186	9,114
Support services:															
Pupil	238,196	236,282	1,914	43,646	36,897	6,749							281,842	273,179	8,663
Instructional staff	394,901	393,622	1,279	117,584	89,055	28,529				54,533	25,073	29,460	567,018	507,750	59,268
Board of Education	21,253	21,252	1										21,253	21,252	1
Administration	793,817	715,269	78,548	64,245	8,375	55,870							858,062	723,644	134,418
Fiscal	224,426	224,377	49							10,000	0	10,000	234,426	224,377	10,049
Operations and maintenance	827,850	759,026	68,824	12,648	12,000	648				7,438	0	7,438	847,936	771,026	76,910
Pupil transportation	575,796	529,933	45,863	14,562	13,685	877							590,358	543,618	46,740
Central										5,719,589	798,495	4,921,094	5,719,589	798,495	4,921,094
Community services	4,950	2,890	2,060	11,926	11,926	0							16,876	14,816	2,060
Extracurricular activities	107,617	107,616	1	204,288	174,526	29,762							311,905	282,142	29,763
Facilities acquisition and construction	110,803	104,455	6,348	56,204	768	55,436				85,806	39,432	46,374	252,813	144,655	108,158
Debt service:															
Principal retirement							65,000	65,000	0	3,037,000	3,037,000	0	3,102,000	3,102,000	0
Interest and fiscal charges							513,966	150,980	362,986	108,193	108,193	0	622,159	259,173	362,986
Total expenditures	7,472,863	7,213,670	259,193	1,326,776	999,512	327,264	578,966	215,980	362,986	9,102,487	4,067,098	5,035,389	18,481,092	12,496,260	5,984,832
Excess (deficiency) of revenues over (under) expenditures	(358,717)	(99,221)	259,496	(261,180)	19,903	281,083	(204,635)	158,361	362,996	(6,405,898)	(1,369,425)	5,036,473	(7,230,430)	(1,290,382)	5,940,048
Other financing sources (uses):															
Refund of prior year's expenditures	82,779	82,779	0										82,779	82,779	0
Operating transfers in	360,725	457,556	96,831	6,007	4,787	(1,220)							366,732	462,343	95,611
Operating transfers out	(532,420)	(566,771)	(34,351)	(4,408)	(4,329)	79							(536,828)	(571,100)	(34,272)
Proceeds from sale of fixed assets	80	80	0										80	80	0
Proceeds from sale of notes										3,037,000	0	(3,037,000)	3,037,000	0	(3,037,000)
Proceeds from sale of bonds										3,037,000	3,037,000	0	3,037,000	3,037,000	0
Accrued interest on bonds sold										11,265	11,265	0	11,265	11,265	0
Total other financing sources (uses)	(88,836)	(26,356)	62,480	1,599	458	(1,141)				6,085,265	3,048,265	(3,037,000)	5,998,028	3,022,367	(2,975,661)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(447,553)	(125,577)	321,976	(259,581)	20,361	279,942	(204,635)	158,361	362,996	(320,633)	1,678,840	1,999,473	(1,232,402)	1,731,985	2,964,387
Fund balances, July 1	401,908	401,908	0	227,138	227,138	0	204,635	204,635	0	3,348,629	3,348,629	0	4,182,310	4,182,310	0
Prior year encumbrances appropriated	45,828	45,828	0	32,443	32,443	0	0	0	0	9,004	9,004	0	87,275	87,275	0
Fund balances, June 30	$183	$322,159	$321,976	$0	$279,942	$279,942	$0	$362,996	$362,996	$3,037,000	$5,036,473	$1,999,473	$3,037,183	$6,001,570	$2,964,387

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

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

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Operating revenues:			
Tuition and fees	$27,423		$27,423
Sales/charges for services	193,840	$1,002,970	1,196,810
Other operating revenues		88	88
Total operating revenues	221,263	1,003,058	1,224,321
Operating expenses:			
Personal services	194,656	83,972	278,628
Contract services	3,156		3,156
Materials and supplies	216,578		216,578
Depreciation	473		473
Claims expense		923,996	923,996
Other operating expenses	1,202		1,202
Total operating expenses	416,065	1,007,968	1,424,033
Operating loss	(194,802)	(4,910)	(199,712)
Nonoperating revenues:			
Operating grants	168,611		168,611
Federal commodities	20,539		20,539
Interest revenue	183	83	266
Total nonoperating revenues	189,333	83	189,416
Net loss before operating transfers	(5,469)	(4,827)	(10,296)
Operating transfers in	3,153	99,183	102,336
Net income (loss)	(2,316)	94,356	92,040
Retained earnings (accumulated defict), July 1	(33,465)	(352,345)	(385,810)
Retained earnings (accumulated deficit), June 30	($35,781)	($257,989)	($293,770)

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

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

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees.	$27,318		$27,318
Cash received from sales/service charges	193,840	$1,002,970	1,196,810
Cash received from other operations		88	88
Cash payments for personal services	(192,499)	(83,972)	(276,471)
Cash payments for contract services	(3,156)		(3,156)
Cash payments for materials and supplies	(200,781)		(200,781)
Cash payments for claims expenses		(938,902)	(938,902)
Cash payments for other expenses	(1,202)		(1,202)
Net cash used in operating activities.	(176,480)	(19,816)	(196,296)
Cash flows from noncapital financing activities:			
Cash received from operating grants.	168,611		168,611
Operating transfers in from other funds	3,153	99,183	102,336
Net cash provided by noncapital financing activities.	171,764	99,183	270,947
Cash flows from investing activities:			
Interest received	183	83	266
Net cash provided by investing activities.	183	83	266
Net increase (decrease) in cash and cash equivalents.	(4,533)	79,450	74,917
Cash and cash equivalents at beginning of year. . . .	24,948	19,733	44,681
Cash and cash equivalents at end of year	$20,415	$99,183	$119,598
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	($194,802)	($4,910)	($199,712)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	473		473
Federal donated commodities	20,539		20,539
Changes in assets and liabilities:			
Increase in materials and supplies inventory. . . .	(400)		(400)
Increase in accounts receivable.	(105)		(105)
Decrease in accounts payable	(4,744)		(4,744)
Increase in accrued wages and benefits	4,526		4,526
Increase in compensated absences payable	111		111
Decrease in pension obligation payable	(2,480)		(2,480)
Increase in due to other governments		90,154	90,154
Decrease in claims payable.		(105,060)	(105,060)
Increase in deferred revenue	402		402
Net cash used in operating activities	($176,480)	($19,816)	($196,296)

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

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is staffed by 53 non-certificated employees, 107 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,360 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Career Center
The Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Career Center's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Career Center. Each participating District's control is limited to its representation on the Career Center's Board of Education.

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

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

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

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

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

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the District's continued participation and no equity interest exists.

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

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan
The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Basis of Presentation - Fund Accounting

The 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 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 GPFS presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

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

GOVERNMENTAL FUND TYPES

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

General Fund - The general fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

PROPRIETARY FUND TYPES

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

Enterprise Funds - The enterprise funds are used to account for 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.

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

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 District on a cost reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds and an agency fund. The expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. The agency fund had no accruals at June 30, 2001, which, in other fund types, would be subject to accrual.

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 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 District, except those accounted for in the proprietary or trust fund.

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

C. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental funds and expendable trust fund. 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 District is sixty days after fiscal year-end.

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

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.

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

The 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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 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 funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue on the combined balance sheet.

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

D. Budgetary Process

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

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The District's "legal level" of budgetary control is at the fund level of expenditures for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Tax Budget:

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

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

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 District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001

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

Appropriations:

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. Although the legal level of budgetary control was established at the fund level of expenditures for all funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Appropriation Resolution 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 appropriations at the legal level of control must be approved by the Board of Education.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. Supplemental appropriations were legally enacted by the Board during fiscal year 2001.

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

E. Cash and Investments

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

During fiscal year 2001, investments consisted of Federal Agency Securities, a nonnegotiable certificate of deposit and a repurchase agreement. Investments are reported at fair market value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The certificate of deposit maintained in the Claude Hinds Memorial Fund and Federal Agency Securities maintained in the Classroom Facilities capital projects fund are reflected on the combined balance sheet as "Investments in Segregated Accounts".

The "Cash with Escrow Agent" represents funds held by Bank One Trust Company N.A. in conjunction with the District's lease-purchase agreement described in Note 10. These monies are invested in U.S. government money market mutual funds.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the Classroom Facilities capital projects fund and the expendable trust funds. The Food Service enterprise fund receives interest earnings based upon Federal mandate and the Self-Insurance internal service fund receives interest earnings as the amount is held by a fiscal agent in an interest bearing account separate from the District's internal investment pool. Interest revenue credited to the general fund during fiscal year 2001 amounted to $67,163, which includes $61,663 assigned from other District Funds.

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

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

F. Inventory

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

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $500 for all fixed assets other than building improvements. A building improvement must have significant impact and be of a material amount, $5,000 or more per improvement, in order to be capitalized. The District does not have any infrastructure.

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

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

H. Intergovernmental Revenues

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

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

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Title I
Title VI
Professional Development Block Grant
Learn and Serve American Grant
Community Alternative Funding System
Class Size Reduction
E-Rate
Data Communications Support
SchoolNet Professional Development
Ohio Reads
Title VI-B
Summer Intervention
Ohio's Best Award
Safe Schools Helpline
Eisenhower
Drug-Free Grant

Capital Projects Funds

Technology Equity
Classroom Facilities
Emergency School Building Repair
Permanent Improvement
SchoolNet
Interactive Video Distance Learning

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

Reimbursable Grants

General Fund
Driver Education Reimbursement

Proprietary Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 68% of the District's operating revenue during the 2001 fiscal year.

I. Compensated Absences

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

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

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Interfund Transactions

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

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

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

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable and payable". The District had no short-term interfund loans receivable or payable at June 30, 2001.

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

An analysis of interfund transactions is presented in Note 5.

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, inventories of materials and supplies, debt service, tax advance unavailable for appropriation, Bureau of Workers Compensation (BWC) refunds and textbooks. The reserve for property tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

M. Prepaids

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

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

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. During fiscal year 2001, there was no change in contributed capital (See Note 9).

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 19 for details.

P. Estimates

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

Q. Bond Discounts, Premiums and Issuance Costs

When the proceeds from general obligation bonded debt are placed in a governmental typed fund, any bond issuance costs are shown as “Bond Issuance Costs”. Any premium or discount is included in “Other Financing Sources - Bond Proceeds” on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the general long-term obligations account group is always reported at the bond’s face value.

R. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues" were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions and voluntary nonexchange transactions. The adoption of these statements had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances/Retained Earnings

Fund balance/retained earning at June 30, 2001, included the following individual fund deficits:

	Deficit Balance
Special Revenue Funds	
Disadvantaged Pupil Impact Aid	$ 6,070
Title I	13,501
Title VI-B	175
Enterprise Fund	
Food Service	36,175
Internal Service Fund	
Employee Benefits - Self-Insurance	257,989

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit retained earnings in the Food Service enterprise fund is due to the reporting of accruing wage, benefit and retirement obligations in accordance with GAAP. This deficit will be funded by user charges and other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Employee Benefits Self-Insurance internal service fund is a result of the application of GAAP, namely in the recognition of incurred but not paid and incurred but not reported claims as a fund liability. This deficit will be eliminated as premiums are received to pay these claims.

C. Compliance

Contrary to Ohio Revised Code Section 5705.41(B), fund level expenditures plus outstanding encumbrances exceeded appropriations in the Employee Benefits Self-Insurance internal service fund.

Contrary to Ohio Revised Code Section 5705.10, negative fund cash balances existed throughout the year in the Title I special revenue fund and the Food Service enterprise fund.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash with agent: At June 30, 2001, the District had a negative cash balance with the Ohio Mid-Eastern Regional Education Service Agency of $(90,154). This amount has been reflected as a liability on the balance sheet as "Due To Other Governments". Cash in the amount of $99,183, reported in the Employee Benefits Self-Insurance internal service fund at June 30, 2001, represents an operating transfer from the general fund. This amount is part of the District's internal cash management pool and is included in "Deposits" below.

Cash with escrow agent: At June 30, 2001, the District had $1,012,028 held by an escrow agent in conjunction with the lease-purchase agreement as described in Note 10. These monies are invested in U.S. government money market mutual funds which are uncategorized investments in accordance with GASB Statement No. 3 since they are not evidenced by monies that exist in physical or book entry form.

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

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

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was $3,178,077 and the bank balance, including non-negotiable certificates of deposit, was $3,324,327. Of the bank balance:

1. $200,000 was covered by federal depository insurance; and

2. $3,124,327 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

	Category 2	Category 3	Reported Amount	Fair Value
Repurchase Agreements	$1,442,341	$ - - -	$1,442,341	$1,442,341
Federal Agency Securities	- - -	2,023,970	2,023,970	2,023,970
Total Investments	$1,442,341	$2,023,970	$3,466,311	$3,466,311

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

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No 9	$ 5,630,324	$2,026,092
Investments of the cash management pool:		
Certificate of deposit with an original maturity greater than three months	2,122	(2,122)
Repurchase agreement	(1,442,341)	1,442,341
Cash with escrow agent	(1,012,028)	- - -
GASB Statement No. 3	$ 3,178,077	$3,466,311

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers at June 30, 2001:

	Transfers In	Transfers Out
General Fund	$ 6,238	$109,032
Special Revenue Funds		
Public School Support	7	4,321
Community Alternative Funding	4,779	7
Debt Service Fund	50,000	- - -
Enterprise Fund		
Uniform School Supplies	3,153	- - -

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

	Transfers In	Transfers Out
Internal Service Fund		
Employees Benefits - Self Insurance	$ 99,183	$ - - -
Expendable Trust Fund		
Vernon and Edith Lee Trust	- - -	50,000
Totals	$163,360	$163,360

NOTE 6 - PROPERTY TAXES

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

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed value upon which the 2000 taxes were collected was $75,164,325. Agricultural/Residential and minerals real estate represented 59.60% or $44,799,150 of this total; Commercial & Industrial real estate represented 14.51% or $10,902,680 of this total, public utility tangible represented 9.55% or $7,181,170 of this total and general tangible property represented 16.34% or $12,281,325 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was $42.60 per $1,000.00 of assessed valuation for operations, $1.50 per $1,000.00 of assessed valuation for permanent improvements and $4.80 per $1,000.00 of assessed valuation for debt service.

The District receives property taxes from Tuscarawas, Coshocton and Guernsey Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance, and recorded as revenue, at June 30, 2001, was $417,427 in the general fund, $40,955 in the Classroom Maintenance special revenue fund, $28,507 in the debt service fund and $7,835 in the Permanent Improvement capital projects fund.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as “due from other governments” on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds. A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	$1,938,828
Due from other governments	4,570
Special Revenue Funds	
Taxes - current and delinquent	44,067
Accounts	756
Due from other governments	56,252
Debt Service Fund	
Taxes - current and delinquent	320,331
Due from other governments	886
Capital Projects Funds	
Taxes - current and delinquent	39,313
Due from other governments	73
Enterprise Funds	
Accounts	105

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, as follows:

Furniture and equipment	$ 47,398
Less accumulated depreciation	(37,569)
Net fixed assets	$ 9,829

NOTE 8 - FIXED ASSETS - (Continued)

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

Asset Category	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land and improvements	$ 146,928	$ 11,390	$ - - -	$ 158,318
Building and improvements	4,223,845	- - -	(34,840)	4,189,005
Furniture, fixtures and equipment	1,730,259	126,260	(53,284)	1,803,235
Vehicles	707,093	55,416	- - -	762,509
Construction in Progress	247,952	806,548	- - -	1,054,500
Totals	$7,056,077	$999,614	$(88,124)	$7,967,567

The construction in progress represents costs incurred for the District's Construction Project (described in Note 11.B). and for the reconstruction and improvement of Lee Stadium (described in Note 10).

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

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

	Food Service
Contributed capital, July 1, 2000	$25,891
Current contributions	- - -
Contributed capital, June 30, 2001	$25,891

NOTE 10 - LEASE - PURCHASE AGREEMENT

On June 15, 2001, the District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of the reconstruction and improvement of Lee Stadium, which includes bleachers, new all-weather track facilities and a concession/ restroom building. The source of revenue to fund the principal and interest payments is derived from the Vernon and Edith Lee expendable trust fund. The trust agreement stipulates that the monies donated to the District are to be used under the direction of the Board of Education for the maintenance, repair, construction and reconstruction to the District's athletic facilities. During fiscal year 2001, the District made principal payments totaling $50,000 and no interest payments on the lease-purchase agreement. The principal payments are recorded as an expenditure in the debt service fund.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets consisting of construction in progress have been capitalized in the general fixed assets account group in the amount of $130,890. This amount represents the costs of the reconstruction and improvements of Lee Stadium funded by the lease-purchase agreement that were incurred prior to June 30, 2001.

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

Fiscal Year Ending June 30, 2001	Amount
2002	$ 100,000
2003	100,000
2004	100,000
2005	100,000
2006	100,000
2007 - 2011	485,000
2012 - 2016	459,734
Total	1,444,734
Less: amount representing interest	(482,706)
Present value of minimum lease payments	$ 962,028

NOTE 10 - LEASE - PURCHASE AGREEMENT - (Continued)

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the reconstruction and improvements of Lee Stadium are being made to Banc One Leasing Corporation. The District is the lessor and Banc One Leasing Corporation is the lessee under the ground-lease agreement. The sublease commenced on June 15, 2001 and terminates on June 15, 2021, or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with Bank One Trust Company, N.A. and Banc One Leasing Corporation whereby Banc One Trust Company, N.A. acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the District authorizes and directs Banc One Leasing Corporation to make disbursements to pay the project costs from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. At June 30, 2001, the funds held by the escrow agent are reported as "Cash with Escrow Agent" on the combined balance sheet.

NOTE 11 - LONG-TERM OBLIGATIONS

A. On October 1, 1999, the District issued $715,000 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 4.55% to 5.55% per annum and mature in various installments through December 1, 2010. The proceeds of the bonds were used to advance refund the 1989 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding.

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Payments of principal and interest on the refunding bonds are made from the debt service fund. The following is a description of the District's refunding bond activity for fiscal year 2001:

	Interest Rate	Outstanding July 1, 2000	Issued in 2001	Retired in 2001	Outstanding June 30, 2001
General Obligation Bonds	4.65%	$645,000	$ - - -	$(65,000)	$580,000

B. During the current fiscal year, the District issued $3,037,000 in general obligation bonds to provide funds for the renovations and additions to the existing west elementary, middle school and high school (hereafter "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.2 mill bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001, the total estimated cost of the Construction Project is $15,000,000, of which OSFC will pay $11,963,000. The Construction Project is expected to take approximately two years to complete.

Interest payments on the general obligation bonds are due on December 1 of each year. The final maturity stated in the issue is December 1, 2002.

In conjunction with the 3.2 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the Classroom Facilities Maintenance special revenue fund.

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's school improvement bonds activity for fiscal year 2001:

	Interest Rate	Outstanding July 1, 2000	Issued in 2001	Retired in 2001	Outstanding June 30, 2001
General Obligation Bonds	4.50%	$ 0	$3,037,000	$ - - -	$3,037,000

C. On February 2, 2000, the District issued $3,037,000 in bond anticipation notes to begin the Construction Project under the terms outlined by the OSFC. These notes had an annual interest rate of 4.75% and matured on November 1, 2000. The bond anticipation notes were retired using the proceeds of the bond issue described in Note 11.B. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced," the bond anticipation notes were considered long-term obligations because they were replaced with long-term bonds before the financial statements were issued. A summary of bond anticipation note transactions for the year ended June 30, 2001 follows:

	Principal Outstanding June 30, 2000	Additions	Reductions	Principal Outstanding June 30, 2001
Capital Projects Funds				
Bond Anticipation Notes - 4.75%	$3,037,000	$ - - -	$(3,037,000)	$ 0

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

	Balance Outstanding July 1, 2000	Additions	Deductions	Balance Outstanding June 30, 2001
General obligation bonds	$ 645,000	$3,037,000	$ (65,000)	$3,617,000
Pension obligation	67,276	68,054	(67,276)	68,054
Bond anticipation notes	3,037,000	- - -	(3,037,000)	0
Early retirement incentive	0	20,000	- - -	20,000
Compensated absences	370,524	70,142	(54,085)	386,581
Lease-purchase agreement payable	0	1,012,028	(50,000)	962,028
Total general long-term obligations	$4,119,800	$4,207,224	$(3,273,361)	$5,053,663

Compensated absences, pension obligations and early retirement incentives will be paid from the fund from which the employees' salaries are paid. The general obligation bonds and the lease-purchase agreement are paid from the debt service fund.

E. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	$ 142,000	$ 195,289	$ 337,289
2003	145,000	188,632	333,632
2004	140,000	181,942	321,942
2005	145,000	175,156	320,156
2006	150,000	168,050	318,050
2007 - 2011	785,000	724,955	1,509,955
2012 - 2016	655,000	543,224	1,198,224
2017 - 2021	835,000	329,530	1,164,530
2022 - 2024	620,000	59,687	679,687
Total	$3,617,000	$2,566,465	$6,183,465

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of $3,544,986 (including available funds of $397,197) and an unvoted debt margin of $75,164.

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 five to twenty days of vacation per 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 215 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 50 days for all employees.

B. Early Retirement Incentive

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS) employees who elect to retire within 30 days after the end of the school year in which he/she becomes eligible for retirement under STRS criteria. This is a one time opportunity for those eligible in fiscal years 2001-2003. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the May Board meeting in fiscal years 2001-2003. The one time cash payment of $10,000 shall be made within 30 days of the retirement date or on January 2 of the following year. Two employees took advantage of the early retirement incentive in fiscal year 2001. These one-time cash payments of $10,000 each will be made in January 2002. A liability for the early retirement incentive payments has been recorded in the general long-term obligations account group.

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

C. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to employees through Medical Life Insurance Company in the amount of $30,000.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

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

Building and Contents-replacement cost ($1,000 deductible)	100% Blanket
Inland Marine Coverage ($250 deductible)	$ 1,050,000
Boiler and Machinery ($1,000 deductible)	18,607,380
Automobile Liability (no deductible)	2,000,000
Professional Liability:	
Per Occurrence	2,000,000
Per Aggregate	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from fiscal 2000.

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Worker's Compensation

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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.

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

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of $267,018 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Beginning Balance	Claims	Payments	Ending Balance
2001	$372,078	$ 833,842	$(938,902)	$267,018
2000	124,012	1,029,606	(781,540)	372,078

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating revenues	$ 193,840	$27,423	$ 221,263
Operating expenses less depreciation	385,410	30,182	415,592
Depreciation expense	473	- - -	473
Operating loss	(192,043)	(2,759)	(194,802)
Operating grants	168,611	- - -	168,611
Donated commodities	20,539	- - -	20,539
Net income (loss)	(2,710)	394	(2,316)
Net working capital	(20,113)	394	(19,719)
Total assets	36,507	394	36,901
Total liabilities	46,791	- - -	46,791
Contributed capital	25,891	- - -	25,891
Total equity	(10,284)	394	(9,890)
Encumbrances outstanding at June 30, 2001	500	- - -	500

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were $132,694, $142,472, and $130,484, respectively; 32.94% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. $88,980, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were $525,789, $545,357, and $495,310, respectively; 81.48% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. $97,360, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The District's liability is 6.2% of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $169,004 during fiscal 2001.

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

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

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were $140.7 million and the target level was $211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of $252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $116,883 during the 2001 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

(c) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	$(125,577)	$ 20,361	$158,361	$1,678,840
Net adjustment for revenue accruals	(176,542)	67,619	(60,087)	21,813
Net adjustment for expenditure accruals	65,278	(31,787)	(49,800)	170,089
Net adjustment for other financing sources (uses) accruals	(76,358)	- - -	50,000	1,012,028
Encumbrances (budget basis)	101,460	34,545	- - -	289,975
GAAP basis	$(211,739)	$ 90,738	$ 98,474	$3,172,745

NOTE 18 - CONTINGENCIES

A. Grants

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

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

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

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

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006. On November 5, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 28, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

NOTE 18 - CONTINGENCIES - (Continued)

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

NOTE 19 - STATUTORY RESERVES

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of June 30, 2000	$ 14,434	$ 0	$ 138,490
Current year set-aside requirement	156,729	156,729	- - -
Elimination of budget stabilization reserve	- - -	- - -	(138,490)
Current year offsets	- - -	(83,248)	- - -
Qualifying disbursements	(79,872)	(113,721)	- - -
Total	$ 91,291	$ (40,240)	$ 0
Cash balance carried forward to FY 2002	$ 91,291	$ 0	$ 0

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

NOTE 19 - STATUTORY RESERVES - (Continued)

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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

Amount restricted for BWC refunds	$ 41,643
Amount restricted for textbooks	91,291
Total restricted assets	$132,934

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the District entered into various contractual commitments related to the Lee Stadium described in Note 10. A summary of the primary contractual commitments outstanding at June 30, 2001, follows.

	Total Contract	Amount Paid	Remaining Commitment at June 30, 2001
SSOE, Inc.	$ 43,000	$ 35,968	$ 7,032
Wood Electric	202,503	167,361	35,142
Dave York Sports	489,180	73,377	415,803
Raeder Construction	522,847	57,513	465,334

As of June 30, 2001, the District entered into various contractual commitments for the OSFC project described in Note 11.B. A summary of the primary contractual commitments outstanding at June 30, 2001, follows.

	Total Contract	Amount Paid	Remaining Commitment at June 30, 2001
SEM Partners, Inc.	$956,357	$647,707	$308,650
W.M. Brode Co.	296,615	16,458	280,157

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	$0	$21,616	$0	$20,136
National School Lunch Program	45542LLP40000	10.555	132,568	0	132,568	0
School Breakfast Program	4554205PU0000	10.553	25,219	0	25,219	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			**157,787**	**21,616**	**157,787**	**20,136**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities						
Community Alternative Funding System	N/A	93.778	**17,128**	**0**	**24,126**	**0**
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Grants to States (IDEA Part B)	455426BSF2001	84.027	85,025	0	70,816	0
	455426BSF2000		0	0	21,288	0
Total Special Education Grants to States			**85,025**	**0**	**92,104**	**0**
Title I Grants to Local Educational Agencies	45542C1S12001	84.010	344,606	0	298,543	0
	45542C1S12000		4,190	0	54,166	0
Total Title I Grants to Local Educational Agencies			**348,796**	**0**	**352,709**	**0**
Eisenhower Professional Development Grant	45542MSS12001	84.281	**8,058**	**0**	**7,318**	**0**
Safe & Drug Free Schools & Communities Grant	45542DRS12001	84.186	**5,442**	**0**	**3,654**	**0**
Learn and Serve America School and Community Based Program Grant	45542G2SV2001	94.001	30,000	0	16,203	0
	45542G2SV2000		0	0	10,812	0
Total Learn and Serve America School and Community Based Program Grant			**30,000**	**0**	**27,015**	**0**
Title VI, IASA	45542C2S12001	84.151	1,169	0	0	0
	45542C2S12000		4,561	0	2,806	0
Total Title VI, IASA			**5,730**	**0**	**2,806**	**0**
Technology Literacy Challenge Grant	45542TF322000	84.318	**0**	**0**	**62,500**	**0**
Class Size Reduction Grant	45542CRS12001	84.340	56,524	0	39,973	0
	45542CRS12000		0	0	8,371	0
Total Class Size Reduction Grant			**56,524**	**0**	**48,344**	**0**
Total U.S. Department of Education			**539,575**	**0**	**596,450**	**0**
Totals			**$714,490**	**$21,616**	**$778,363**	**$20,136**

The accompanying notes to this schedule are an integral part of this schedule.

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District's food commodities in inventory totaled $3,438.

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

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

We have audited the general purpose financial statements of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-11279-001and 2001-11279-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 28, 2001.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 28, 2001.

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

Jim Petro
Auditor of State

December 28, 2001

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

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 2001-11279-003.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings as item 2001-11279-004.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

In addition, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 28, 2001.

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

Jim Petro
Auditor of State

December 28, 2001

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	Yes
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	CFDA # 10.550, 10.553, 10.555, - Child Nutrition Cluster CFDA # 84.318 - Technology Literacy Challenge Grant
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

Finding Number	2001-11279-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At June 30, 2001, fund level expenditures exceeded appropriations in the Internal Service Fund (Fund No. 024) by $176,304 or roughly 19% of total appropriations. The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid potential overspending. A similar matter was also included in the Schedule of Findings for the financial statement audit as of June 30, 2000.

Finding Number	2001-11279-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established.

Throughout fiscal year 2001, the District incurred negative fund cash balances in the Special Revenue Title I Fund (Fund No. 572) and the Enterprise Lunch Room Cafeteria Fund (Fund No. 006) in amounts up to $126,000 and $22,600, respectively. The above fund cash balances were eliminated by June 30, 2001. Negative fund cash balances are an indication that revenues from other funds were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. When additional funds are required, resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code. A similar matter was also included in the Schedule of Findings for the financial statement audit as of June 30, 2000.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-11279-003
CFDA Title	Child Nutrition Cluster
CFDA Number	#10.550; 10.553; 10.555
Pass Through Entity Number/Year	45542LLP40000/ 2000-01 Grant Years
Federal Oversight Agency	U.S. Department of Agriculture

Title 7 C.F.R. Section 245.6 and 245.6a provide that to qualify a child for meals/milk served free or at reduced price under the program(s), the child's family must submit an application to the District. The application must be approved and maintained on file with the District. In addition, by December 15 of each school year, a sample verification of the information supplied on the free and reduced price applications shall be performed by the appropriate District official, for a percentage of applications as specified in the section. Sources of information for verification may include written evidence, collateral contracts, and systems of records, as described in the section. The information sources received should be evaluated and any eligibility changes shall be documented. If the verification activities fail to confirm a student's eligibility for free or reduced price benefits or should the household fail to cooperate with the verification efforts, the District shall initiate procedures to reduce or terminate benefits.

Section 245.6a (c) further provides that school food authorities verifying applications shall maintain on file for review a description of the verification. The description shall include: (1) A summary of the verification efforts including the techniques to be used; (2) the total number of applications on file by October 31; (3) the percentage or number of applications verified; (4) all verified applications must be readily retrievable by school and include all documents submitted by the household in an effort to confirm eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission; (5) documentation of any changes in eligibility and the reasons for the changes; and (6) all relevant correspondences between the household selected for verification and the school food authority/school.

While certain evidence did exist that an income eligibility verification was conducted, the income eligibility verification file maintained by the Food Service Director did not contain the required elements as outlined in Section 245.6a (c). For example, the District could not provide a listing of the applications selected for verification, nor could the District provide the actual applications selected for verification, the notices sent to the applicant households, the verification documents submitted by households, or the District's evaluation of submitted verification documents. Verification records were available for certain applications, however, the District could not demonstrate it met the application verification percentage requirement. Additionally, the District did not document the verification method selected from the methods provided for under Section 245.

The Food Service Coordinator should conduct an application verification program in accordance with Section 245.6a, and maintain on file income eligibility documentation that adheres to the requirements outlined in Section 245.6a (c). This will help ensure prescribed supporting documentation exists to support each respective child's lunch eligibility status.

Finding Number	2001-11279-004
CFDA Title	Child Nutrition Cluster
CFDA Number	#10.550; 10.553; 10.555
Pass Through Entity Number/Year	45542LLP40000/2000-01 Grant Years
Federal Oversight Agency	U.S. Department of Agriculture

Child Nutrition Cluster

During testing of the Child Nutrition Cluster, the following issues were noted:

- Elementary School "Daily Tally Sheets" are prepared by a food service employee based on monies submitted by each respective elementary student contained in a brown envelope; however, the brown envelopes are not maintained by the Elementary School or the Food Service Coordinator. Thus, the risk of misappropriation of those monies is increased

- Evidence did not exist to indicate Elementary School "Daily Tally Sheets" are reconciled to the CN-6: School Breakfast Program Daily Worksheet, CN-7: School Lunch and Milk Program Daily Worksheet or daily deposits

- While daily deposits recorded on the East and West Elementary CN-6: School Breakfast Program Daily Worksheets and CN-7: School Lunch and Milk Program Daily Worksheets reconciled to the actual bank daily deposit, unreconciled differences existed throughout the year between those worksheets and the "Daily Tally Sheets" totaling $972 and $3,361, respectively

- Evidence did not exist to indicate daily Middle School and High School cash register tapes were reconciled to daily cash collections ranging in differences up to roughly $40

- For 100% of days tested at the Middle School, the daily cash register tapes did not reconcile to the daily CN-7: School Lunch and Milk Program Daily Worksheets

- For 44% of East Elementary serving days tested during April 2001, each respective days "Daily Tally Sheets" indicated reduced lunches served exceeded the approved reduced lunch applications on file (equivalent to 10 lunches)

- For 60% of serving days tested for certain elementary schools, paid and reduced lunches recorded on the CN-7: School Lunch and Milk Program Daily Worksheet did not reconcile to the "Daily Tally Sheet"

- Certain building secretaries did not consistently update the free and reduced lunch student listings when a change occurred with a student's lunch eligibility

- The District did not submit the June 2001 lunch reimbursement, including the commodity inventory balance thus, forfeiting a reimbursement totaling roughly $2,800

- During our testing of commodity inventory, the June 2001 CN-2 Inventory Cost Report documented an increase in commodities of $1,077; however, the change in inventory was not supported by underlying documentation and certain commodities on hand at June 30, 2001 were inappropriately excluded from the commodities inventory listing

As a result, daily lunch receipts could be misappropriated and the District could be over/under reimbursed for lunches served thus, future reimbursements may be jeopardized.

The District should perform the following:

- The Food Service Coordinator should maintain the brown envelopes, or some alternative method, to support the student lunch money collected and subsequently recorded on the Elementary Schools "Daily Tally Sheets

- Elementary School "Daily Tally Sheets" and Middle School and High School cash register tapes should be reconciled to monies collected. The Food Service Director and each respective cashier should initial and date each Elementary School "Daily Tally Sheet" and Middle School and High School cash register tape as evidence this reconciliation was performed. Unreconciled differences should be identified, investigated and properly documented

- Periodically, the Food Service Director should compare free and reduced lunch applications on file to free and reduced lunches served

- Periodically, each respective student's free/reduced lunch eligibility status maintained by each building secretary should be compared to the corresponding authorized free/reduced lunch application

- The Food Service Coordinator should work with the District Treasurer and District Assistant Treasurer (who submits the reports electronically) to ensure the required CN reports are submitted for reimbursement timely. On January 14, 2002, the Treasurer requested, in writing, reimbursement from the Office of Child Nutrition Services.

- Commodity inventory beginning/ending balances as well as commodities received and used should be periodically reconciled to commodities on hand

- District management should review current food service operation practices, and modify those practices accordingly and codify the practices into the policies. Additionally, an open line of communication should exist between District management and the Food Service Department.

This will help improve operational efficiencies, internal controls, and the reliability of reported collections and lunches served and subsequently remitted for reimbursement.

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NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2000-11279-001	Negative Cash Balances during the Fiscal Year not in accordance with Ohio Rev. Code Section 5705.10	No	During 2001, the District had negative cash balances that were eliminated by June 30, 2001.
2000-11279-002	The Board of Education did not approve supplemental appropriation measures in accordance with Ohio Rev. Code Section 5705.40	Yes	During 2001, the Board of Education appropriately approved the District's appropriation amendments.
2000-11279-003	The Treasurer did not frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid potential overspending in accordance with Ohio Rev. Code Section 5705.41 (B)	No	At June 30, 2001, fund level expenditures plus outstanding encumbrances exceeded appropriations in the Internal Service Fund (Fund No. 024) by $176,304.
2000-11279-004	Note Proceeds from Ohio School Facilities Commission were not recorded in accordance with Ohio Rev. Code Section 5705.42	Yes	The amount was adjusted in the prior year and was not required in the current year audit. Finding is no longer valid.

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NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2002