

**ZANESVILLE CITY  
SCHOOL DISTRICT**

**ANNUAL REPORT**

**YEAR ENDED JUNE 30, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Board of Education  
Zanesville City School District  
Zanesville, Ohio 43701

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

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

JIM PETRO  
Auditor of State

December 31, 2001

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**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Ward Coffman III	President	1/1/00-12/31/03
Ann Hoffer	Vice President	1/1/98-12/31/01
Mary Antonetz	Member	1/1/00-12/31/03
Mary Lou Ellis	Member	1/1/00-12/31/03
Tom Vandegriff	Member	1/18/01-12/31/01

**Legal Counsel**

Scott Hillis, City Law Director  
825 Adair Avenue  
Zanesville, Ohio 43701

**Official Address**

Zanesville City Schools Board of Education  
Administration Center  
160 N. Fourth Street  
Zanesville, Ohio 43701

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

<u>TITLE/ NAME</u>	<u>TERM OF OFFICE OR CONTRACT PERIOD</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<u>Superintendent</u> Michael F. Pockl	8/1/00-7/31/04	(A)	\$20,000	1/1/01-12/31/01
<u>Assistant Superintendent</u> Terry Martin	3/23/98-7/31/01	(A)	\$20,000	1/1/01-12/31/01
<u>Treasurer</u> John Ramshaw	1/8/01-Org. Mtg. 2005	(A)	\$50,000	1/15/01-1/15/02

(A) The Cincinnati Insurance Company



**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY  
INDEX OF FUNDS**

**GOVERNMENTAL FUND TYPE:**

**General Fund Type:**

General Fund

**Special Revenue Fund Type:**

Public School Support Fund

Other Grants Fund

Venture Capital Grant Fund

Districted Managed Accounts Fund

Textbook Subsidy

Teacher Development Block Grant Fund

Management Information System Fund

Entry Year Programs Fund

Ohio School Net

Disadvantaged Pupil Impact Aid Fund

Library Automation

Transition Funding Fund

Ohio Reads Grant Fund

Miscellaneous State Grant Funds

Eisenhower Math and Science Grant Fund

Child/Adult Care Food Program Fund

Title I Fund - Special Education Needs of Disadvantaged Children

Title VI-B Fund – Special Education: Assistance to States for Handicapped Children

Title VI Fund – Consolidation of Federal Programs for Elementary and Secondary Education

School Age Child Care Grant Fund

Drug Free Schools Fund

Miscellaneous Federal Grant Fund

GOALS 2000 Grant Fund

Class Size Reduction Fund

Reading Excellence Fund

Auxiliary Services – Non Public School Fund

**Debt Service Fund Types:**

Energy Conservation Bond Retirement Fund

**Capital Projects Fund Types:**

Permanent Improvement Fund

Emergency Building Repair Fund

Technology Equity

**PROPRIETARY FUND TYPE:**

**Enterprise Fund Type:**

Food Service Fund

Uniform School Supplies Fund

Latchkey/Muskingum Girls Softball Fund

**Internal Service Fund Type:**

Internal Services Rotary Fund

**FIDUCIARY FUND TYPE:**

**Expendable Trust Funds**

Special Trust Fund

**Agency Funds**

Student Managed Activity

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

**INDEPENDENT AUDITORS' REPORT**

Board Of Education  
Zanesville City School District  
Zanesville, Ohio 43701

We have audited the accompanying general-purpose financial statements of the Zanesville City School District as of and for the year ended June 30, 2001. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 Zanesville City School District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming an opinion on the financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for 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. The Statement of Changes in Assets and Liabilities - Agency Fund is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Wolfe, Wilson, & Phillips, Inc.**  
Zanesville, Ohio  
November 28, 2001

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2001**

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General	Special	Debt	Capital
	Fund	Revenue	Service	Projects
	Funds	Funds	Fund	Funds
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$1,986,654	\$1,329,295	\$0	\$143,475
Investments	1,210,358	498,238	0	41,404
Receivables (net of allowance for doubtful accounts):				
Taxes	8,466,287	0	3,045	0
Accounts	1,260	0	0	0
Intergovernmental	12,974	225,036	0	0
Interest	11,394	0	0	0
Interfund Loans Receivable	58,000	0	0	0
Due from Other Funds	35,000	0	0	0
Inventory of Supplies at Cost	0	0	0	0
Prepaid Items	71,972	784	0	0
Restricted Assets:				
Cash and Cash Equivalents	765,592	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$12,619,491</b>	<b>\$2,053,353</b>	<b>\$3,045</b>	<b>\$184,879</b>
<b>Liabilities, Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$115,588	\$126,624	\$0	\$6,332
Accrued Wages and Benefits	3,138,687	767,495	0	0
Intergovernmental Payables	557,808	119,002	0	0
Interfund Loans Payable	0	0	0	15,000
Due to Other Funds	0	0	0	35,000
Due to Others	0	0	0	0
Due to Students	0	0	0	0
Deferred Revenue	4,142	0	0	0
Deferred Revenue - Taxes	8,466,287	0	3,045	0
General Obligation Bond Payable	0	0	0	0
Compensated Absences Payable	3,195	0	0	0
Capital Lease	0	0	0	0
<b>Total Liabilities</b>	<b>12,285,707</b>	<b>1,013,121</b>	<b>3,045</b>	<b>56,332</b>
<b>Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	482,107	235,235	0	2,910
Statutory Reserves	765,592	0	0	0
Reserved for Prepaid Items	71,972	784	0	0
Unreserved:				
Undesignated	(985,887)	804,213	0	125,637
<b>Total Equity and Other Credits</b>	<b>333,784</b>	<b>1,040,232</b>	<b>0</b>	<b>128,547</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$12,619,491</b>	<b>\$2,053,353</b>	<b>\$3,045</b>	<b>\$184,879</b>

The notes to the general purpose financial statements are an integral part of this statement.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2001**

<i>Proprietary</i>		<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)
<i>Fund Types</i>		<i>Fund Types</i>	<i>Groups</i>		
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$460,578	\$146,860	\$90,354	\$0	\$0	\$4,157,216
0	0	0	0	0	1,750,000
0	0	0	0	0	8,469,332
113	0	0	0	0	1,373
0	0	0	0	0	238,010
0	0	0	0	0	11,394
0	0	0	0	0	58,000
0	0	0	0	0	35,000
17,644	0	0	0	0	17,644
0	0	0	0	0	72,756
0	0	0	0	0	765,592
10,573	0	0	20,162,837	0	20,173,410
0	0	0	0	4,254,640	4,254,640
<u>\$488,908</u>	<u>\$146,860</u>	<u>\$90,354</u>	<u>\$20,162,837</u>	<u>\$4,254,640</u>	<u>\$40,004,367</u>
\$17,521	\$17,488	\$117	\$0	\$0	\$283,670
144,557	7,682	0	0	0	4,058,421
81,671	9,482	0	0	208,935	976,898
0	3,000	40,000	0	0	58,000
0	0	0	0	0	35,000
0	0	714	0	0	714
0	0	37,077	0	0	37,077
10,249	0	0	0	0	14,391
0	0	0	0	0	8,469,332
0	0	0	0	372,000	372,000
74,079	0	0	0	3,668,772	3,746,046
0	0	0	0	4,933	4,933
<u>328,077</u>	<u>37,652</u>	<u>77,908</u>	<u>0</u>	<u>4,254,640</u>	<u>18,056,482</u>
0	0	0	20,162,837	0	20,162,837
160,831	109,208	0	0	0	270,039
0	0	6,612	0	0	726,864
0	0	0	0	0	765,592
0	0	0	0	0	72,756
0	0	5,834	0	0	(50,203)
<u>160,831</u>	<u>109,208</u>	<u>12,446</u>	<u>20,162,837</u>	<u>0</u>	<u>21,947,885</u>
<u>\$488,908</u>	<u>\$146,860</u>	<u>\$90,354</u>	<u>\$20,162,837</u>	<u>\$4,254,640</u>	<u>\$40,004,367</u>

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Governmental Fund Types</b>			<b>Fiduciary Fund Type</b>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expensible Trust Fund	
<b>Revenues:</b>						
<b>Local Sources:</b>						
Taxes	\$9,445,942	\$0	\$117,064	\$0	\$0	\$9,563,006
Tuition	701,851	0	0	0	0	701,851
Investment Earnings	466,644	2,372	0	0	0	469,016
Extracurricular Activities	0	205,850	0	0	0	205,850
Class Material and Fees	22,061	0	0	0	0	22,061
Intermediate Sources	57,544	269,550	0	0	0	327,094
Intergovernmental - State	16,064,544	2,595,068	0	220,500	0	18,880,112
Intergovernmental - Federal	1,212	3,700,461	0	84,598	0	3,786,271
All Other Revenues	116,495	78,836	0	39,461	47,557	282,349
<b>Total Revenues</b>	<b>26,876,293</b>	<b>6,852,137</b>	<b>117,064</b>	<b>344,559</b>	<b>47,557</b>	<b>34,237,610</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Instruction	16,860,401	4,275,756	0	180,453	12,124	21,328,734
<b>Supporting Services:</b>						
Pupils	1,203,442	230,646	0	0	54,792	1,488,880
Instructional Staff	930,019	909,545	0	0	6,240	1,845,804
Board of Education	51,907	0	0	0	0	51,907
Administration	2,597,391	272,610	0	1,000	0	2,871,001
Fiscal Services	495,051	0	0	0	0	495,051
Operation and Maintenance of Plant	2,991,239	41,784	0	0	0	3,033,023
Pupil Transportation	958,093	34,854	0	0	0	992,947
Central	483,748	37,350	0	0	0	521,098
Community Services	127,434	642,170	0	0	0	769,604
Extracurricular Activities	294,671	230,995	0	0	0	525,666
Other Expenditures	914	73,157	0	0	0	74,071
Capital Outlay	100,266	16,705	0	28,696	0	145,667
<b>Debt Service:</b>						
Principal Retirements	0	0	93,000	0	0	93,000
Interest and Fiscal Charges	0	0	24,064	0	0	24,064
<b>Total Expenditures</b>	<b>27,094,576</b>	<b>6,765,572</b>	<b>117,064</b>	<b>210,149</b>	<b>73,156</b>	<b>34,260,517</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(218,283)	86,565	0	134,410	(25,599)	(22,907)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	2,140	0	0	0	0	2,140
Refund of Prior Year's Expenditures	127,912	1,876	0	0	0	129,788
Operating Transfers In	0	31,182	0	0	0	31,182
Operating Transfers Out	(30,145)	0	0	0	0	(30,145)
<b>Total Other Financing Sources (Uses)</b>	<b>99,907</b>	<b>33,058</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,965</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(118,376)	119,623	0	134,410	(25,599)	110,058
Fund Balance (Deficit) Beginning of Year	454,539	920,609	0	(5,863)	38,045	1,407,330
Decrease in Inventory Reserve	(2,379)	0	0	0	0	(2,379)
<b>Fund Balance End of Year</b>	<b>\$333,784</b>	<b>\$1,040,232</b>	<b>\$0</b>	<b>\$128,547</b>	<b>\$12,446</b>	<b>\$1,515,009</b>

The notes to the general purpose financial statements are an integral part of this statement.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2001**

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Local Sources:						
Taxes	\$8,998,791	\$9,445,942	\$447,151	\$0	\$0	\$0
Tuition	675,000	701,851	26,851	0	0	0
Investment Earnings	290,000	486,557	196,557	825	2,372	1,547
Extracurricular Activities	0	0	0	287,850	205,850	(82,000)
Class Material and Fees	20,939	23,322	2,383	0	0	0
Intermediate Sources	43,172	57,544	14,372	269,600	269,550	(50)
Intergovernmental - State	14,924,712	16,068,456	1,143,744	2,681,921	2,685,020	3,099
Intergovernmental - Federal	2,000	1,123	(877)	4,921,486	3,712,687	(1,208,799)
All Other Revenues	74,642	120,718	46,076	99,092	78,874	(20,218)
<b>Total Revenues</b>	<b>25,029,256</b>	<b>26,905,513</b>	<b>1,876,257</b>	<b>8,260,774</b>	<b>6,954,353</b>	<b>(1,306,421)</b>
<b>Expenditures:</b>						
Current:						
Instruction	16,779,041	16,844,472	(65,431)	6,034,089	4,171,342	1,862,747
Supporting Services:						
Pupils	1,215,270	1,181,186	34,084	284,123	241,350	42,773
Instructional Staff	907,020	903,386	3,634	1,320,729	895,499	425,230
Board of Education	79,451	69,096	10,355	0	0	0
Administration	2,642,443	2,638,602	3,841	342,664	271,482	71,182
Fiscal Services	541,576	502,991	38,585	0	0	0
Operation and Maintenance of Plant	3,056,393	3,046,952	9,441	81,419	45,342	36,077
Pupil Transportation	1,113,877	1,081,001	32,876	66,902	34,680	32,222
Central	532,246	511,255	20,991	59,329	41,587	17,742
Community Services	127,463	127,823	(360)	907,663	714,923	192,740
Extracurricular Activities	293,095	293,916	(821)	363,290	269,324	93,966
Other Expenditures	2,000	914	1,086	124,563	97,571	26,992
Capital Outlay	148,632	176,141	(27,509)	16,705	16,705	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>27,438,507</b>	<b>27,377,735</b>	<b>60,772</b>	<b>9,601,476</b>	<b>6,799,805</b>	<b>2,801,671</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,409,251)	(472,222)	1,937,029	(1,340,702)	154,548	1,495,250
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	2,000	2,140	140	0	0	0
Refund of Prior Year's Expenditures	5,000	127,912	122,912	0	1,876	1,876
Operating Transfers In	0	0	0	171,469	31,182	(140,287)
Operating Transfers Out	(22,700)	(30,145)	(7,445)	0	0	0
Advances In	200,000	194,200	(5,800)	0	400	400
Advances Out	0	(400)	(400)	0	(109,600)	(109,600)
<b>Total Other Financing Sources (Uses)</b>	<b>184,300</b>	<b>293,707</b>	<b>109,407</b>	<b>171,469</b>	<b>(76,142)</b>	<b>(247,611)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,224,951)	(178,515)	2,046,436	(1,169,233)	78,406	1,247,639
Fund Balance at Beginning of Year	3,199,779	3,199,779	0	1,180,585	1,180,585	0
Prior Year Encumbrances	377,115	377,115	0	206,473	206,473	0
<b>Fund Balance at End of Year</b>	<b>\$1,351,943</b>	<b>\$3,398,379</b>	<b>\$2,046,436</b>	<b>\$217,825</b>	<b>\$1,465,464</b>	<b>\$1,247,639</b>

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Debt Service Fund</u>			<u>Capital Projects Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$117,064	\$117,064	\$0	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Class Material and Fees	0	0	0	0	0	0
Intermediate Sources	0	0	0	0	0	0
Intergovernmental - State	0	0	0	222,500	220,500	(2,000)
Intergovernmental - Federal	0	0	0	100,000	84,598	(15,402)
All Other Revenues	0	0	0	39,461	39,461	0
Total Revenues	<u>117,064</u>	<u>117,064</u>	<u>0</u>	<u>361,961</u>	<u>344,559</u>	<u>(17,402)</u>
Expenditures:						
Current:						
Instruction	0	0	0	277,949	181,129	96,820
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	10,000	0	10,000
Board of Education	0	0	0	0	0	0
Administration	0	0	0	1,000	1,000	0
Fiscal Services	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	36,000	0	36,000
Community Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	52,209	38,083	14,126
Debt Service:						
Principal Retirement	93,000	93,000	0	0	0	0
Interest and Fiscal Charges	24,064	24,064	0	0	0	0
Total Expenditures	<u>117,064</u>	<u>117,064</u>	<u>0</u>	<u>377,158</u>	<u>220,212</u>	<u>156,946</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	(15,197)	124,347	139,544
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year's Expenditures	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	(84,600)	(84,600)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(84,600)</u>	<u>(84,600)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(15,197)	39,747	54,944
Fund Balance at Beginning of Year	0	0	0	124,805	124,805	0
Prior Year Encumbrances	0	0	0	11,085	11,085	0
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$120,693</u>	<u>\$175,637</u>	<u>\$54,944</u>

(Continued)



**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Totals (Memorandum Only)</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local Sources:			
Taxes	\$9,115,855	\$9,563,006	\$447,151
Tuition	675,000	701,851	26,851
Investment Earnings	290,825	488,929	198,104
Extracurricular Activities	287,850	205,850	(82,000)
Class Material and Fees	20,939	23,322	2,383
Intermediate Sources	312,772	327,094	14,322
Intergovernmental - State	17,829,133	18,973,976	1,144,843
Intergovernmental - Federal	5,023,486	3,798,408	(1,225,078)
All Other Revenues	213,195	239,053	25,858
Total Revenues	<u>33,769,055</u>	<u>34,321,489</u>	<u>552,434</u>
Expenditures:			
Current:			
Instruction	23,091,079	21,196,943	1,894,136
Supporting Services:			
Pupils	1,499,393	1,422,536	76,857
Instructional Staff	2,237,749	1,798,885	438,864
Board of Education	79,451	69,096	10,355
Administration	2,986,107	2,911,084	75,023
Fiscal Services	541,576	502,991	38,585
Operation and Maintenance of Plant	3,137,812	3,092,294	45,518
Pupil Transportation	1,180,779	1,115,681	65,098
Central	627,575	552,842	74,733
Community Services	1,035,126	842,746	192,380
Extracurricular Activities	656,385	563,240	93,145
Other Expenditures	126,563	98,485	28,078
Capital Outlay	217,546	230,929	(13,383)
Debt Service:			
Principal Retirement	93,000	93,000	0
Interest and Fiscal Charges	24,064	24,064	0
Total Expenditures	<u>37,534,205</u>	<u>34,514,816</u>	<u>3,019,389</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,765,150)	(193,327)	3,571,823
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	2,000	2,140	140
Refund of Prior Year's Expenditures	5,000	129,788	124,788
Operating Transfers In	171,469	31,182	(140,287)
Operating Transfers Out	(22,700)	(30,145)	(7,445)
Advances In	200,000	194,600	(5,400)
Advances Out	0	(194,600)	(194,600)
Total Other Financing Sources (Uses)	<u>355,769</u>	<u>132,965</u>	<u>(222,804)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,409,381)	(60,362)	3,349,019
Fund Balance at Beginning of Year	4,505,169	4,505,169	0
Prior Year Encumbrances	594,673	594,673	0
Fund Balance at End of Year	<u>\$1,690,461</u>	<u>\$5,039,480</u>	<u>\$3,349,019</u>

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<i>Proprietary Fund Types</i>		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	
<u>Operating Revenues:</u>			
Tuition and Fees	\$167,399	\$11,524	\$178,923
Sales	576,294	0	576,294
Total Operating Revenues	743,693	11,524	755,217
<u>Operating Expenses:</u>			
Salaries and Wages	740,128	59,180	799,308
Fringe Benefits	293,635	27,569	321,204
Contractual Services	56,614	52,488	109,102
Materials and Supplies	676,897	49,330	726,227
Depreciation	1,793	0	1,793
Total Operating Expenses	1,769,067	188,567	1,957,634
Operating Loss	(1,025,374)	(177,043)	(1,202,417)
<u>Non-Operating Revenues:</u>			
Operating Grants	946,295	223,100	1,169,395
Federally Donated Commodities	125,673	0	125,673
Investment Earnings	1,832	0	1,832
Miscellaneous	3,515	1,934	5,449
Total Non-Operating Revenues	1,077,315	225,034	1,302,349
Net Income	51,941	47,991	99,932
Restated Retained Earnings at Beginning of Year	108,890	61,217	170,107
Retained Earnings at End of Year	\$160,831	\$109,208	\$270,039

The notes to the general purpose financial statements are an integral part of this statement.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<i>Proprietary Fund Types</i>		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$596,375	\$1,934	\$598,309
Cash Received from Tuition and Fee Payments	167,286	11,524	178,810
Cash Payments for Goods and Services	(605,331)	(91,555)	(696,886)
Cash Payments to Employees for Services and Benefits	(1,001,228)	(72,145)	(1,073,373)
Net Cash Used by Operating Activities	<u>(842,898)</u>	<u>(150,242)</u>	<u>(993,140)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	946,295	223,100	1,169,395
Net Cash Provided by Noncapital Financing Activities	<u>946,295</u>	<u>223,100</u>	<u>1,169,395</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	1,832	0	1,832
Net Cash Provided by Investing Activities	<u>1,832</u>	<u>0</u>	<u>1,832</u>
Net Increase in Cash and Cash Equivalents	105,229	72,858	178,087
Cash and Cash Equivalents at Beginning of Year	355,349	74,002	429,351
Cash and Cash Equivalents at End of Year	<u>\$460,578</u>	<u>\$146,860</u>	<u>\$607,438</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u>			
Operating Loss	(\$1,025,374)	(\$177,043)	(\$1,202,417)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Miscellaneous Non-operating Income	3,515	1,934	5,449
Depreciation Expense	1,793	0	1,793
Donated Commodities Used During the Year	125,673	0	125,673
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	262	0	262
Decrease in Intergovernmental Receivable	16,191	0	16,191
Decrease in Inventory	785	0	785
Increase in Accounts Payable	3,394	10,263	13,657
Increase in Accrued Wages and Benefits	22,227	6,728	28,955
Increase in Intergovernmental Payables	7,464	7,876	15,340
Decrease in Deferred Revenue	(1,672)	0	(1,672)
Increase in Compensated Absences	2,844	0	2,844
Total Adjustments	<u>182,476</u>	<u>26,801</u>	<u>209,277</u>
Net Cash Used by Operating Activities	<u>(\$842,898)</u>	<u>(\$150,242)</u>	<u>(\$993,140)</u>

The notes to the general purpose financial statements are an integral part of this statement.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2001**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Zanesville City School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 241 classified and approximately 388 certified teaching personnel and administrative employees providing education to 4,422 students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

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

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)

The following fund types and account groups are used by the District:

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's governmental fund types:

**General Fund** - This fund is the general operating fund of the district and is used to account for all financial resources except those 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** - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** - This fund is used for the accumulation of resources for the payment of general long-term debt principal and interest.

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

***Proprietary Funds*** - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)

*Fiduciary Funds*

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and two agency funds. The expendable trust fund is accounted for and reported similarly to a governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except those accounted for in the proprietary funds.

**C. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes property taxes available for advance, income taxes, tuition, grants and entitlements, student fees, and interest on investments.

Property taxes measurable as of June 30, 2001, of which are not intended to finance fiscal year 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board 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 the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2001.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Budgetary Process** (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, department and object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. 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 appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$118,376)	\$119,623	\$0	\$134,410
Increase (Decrease):				
Accrued Revenues at June 30, 2001, received during FY 2002	(114,486)	(225,036)	0	0
Accrued Revenues at June 30, 2000, received during FY 2001	337,506	327,252	0	0
Accrued Expenditures at June 30, 2001, paid during FY 2002	3,815,278	1,013,121	0	56,332
Accrued Expenditures at June 30, 2000, paid during FY 2001	(3,517,169)	(794,135)	0	(141,753)
FY 2000 Prepays for FY 2001	54,929	434	0	0
FY 2001 Prepays for FY 2002	(71,972)	(784)	0	0
Encumbrances Outstanding at June 30, 2001	(564,225)	(362,069)	0	(9,242)
Budget Basis	<u>(\$178,515)</u>	<u>\$78,406</u>	<u>\$0</u>	<u>\$39,747</u>

E. Cash and Cash Equivalents

During fiscal year 2001, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 5, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 5, "Cash, Cash Equivalents and Investments."

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

**G. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

**H. Fixed Assets and Depreciation**

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

**1. Property, Plant and Equipment - General Governmental Purposes**

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

General fixed asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Machinery, Equipment, Furniture and Fixtures	5-20

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bond	Bond Retirement Fund
Capital Leases	General Fund
Intergovernmental Payable	General Fund, Other Grant Fund, District Managed Student Activity Fund, Auxiliary Services Fund, Disadvantaged Pupil Impact Aid Fund, Ohio Reads Fund, Summer School Subsidy Fund, Extended Learning Opportunity Fund, Title VI-B Fund, Title I Fund, CIP Fund, Miscellaneous Federal Grants Fund, Special Trust Fund
Compensated Absences	General Fund, Food Services Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**J. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method. Employees may earn 15 days of sick leave per year up to a maximum of 250 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of between 55 and 60 days depending upon their job classification. In addition, teachers may earn an additional day of sick leave compensation for each year that they served with perfect attendance. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

**K. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

**L. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, a reserve for textbook purchases and a reserve for capital maintenance. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established for these amounts.

**N. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, inventory of supplies and materials, budget stabilization and encumbered amounts which have not been accrued at year end. The reserve for budget stabilization is required by State statute for a refund from the Bureau of Workers' Compensation.

**O. Total Columns on Combined Financial Statements**

Total columns on the "Combined Financial Statements" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2001, the District has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". At June 30, 2000, there was no effect on fund balance as a result of implementing GASB 33 and GASB 36.

**NOTE 3 – PRIOR PERIOD ADJUSTMENTS**

During fiscal year 2001, the District had a physical inventory taken on its fixed assets which resulted in a restatement. The District had not previously reported General Fixed Assets or Proprietary Fixed Assets. As a result of the physical inventory the General Fixed Assets Account Group increased by \$19,989,178. The restatement resulted in the following change to the beginning retained earnings balance in the enterprise funds:

<b>Enterprise Funds:</b>	
Retained Earnings at 6/30/00 (as reported)	\$96,524
Fixed Asset Restatement	12,366
Retained Earnings at 6/30/00 (restated)	<u>\$108,890</u>

**NOTE 4 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficits** -- The fund deficits at June 30, 2001 of \$1,565 in the Before and After School Fund (special revenue fund), of \$4 in the Title VI Fund (special revenue fund), and of \$50,000 in the Emergency Building Repair Fund (capital projects fund) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting.

**Excess Expenditures over Appropriations** – For the year ended June 30, 2001, expenditures exceeded appropriations at the function level in the following funds:

Fund	Excess
General Fund	
Instruction	\$65,431
Community Services	360
Extracurricular Activities	821
Capital Outlay	27,509
Special Revenue Funds	
Teacher Development Fund	
Community Services *	5
Ohio Reads Fund	
Supporting Services - Operation and Maintenance of Plant *	16
Title VI Fund	
Supporting Services - Pupils *	59

\* State and federal grants allow for a 10% variance between the amount appropriated and the amount expended as long as the total grant is not exceeded.

The excess expenditures were funded from available fund balance.

**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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;
- 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;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3. The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

*Deposits:*

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District’s name.
- Category 2 Collateralized with securities held by the pledging financial institution’s trust department or agent, in the District’s name.
- Category 3 Collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

*Investments:*

- Category 1 Insured or registered, or securities held by the District or its agent in the District’s name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the District’s name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

**A. Deposits**

At year end the carrying amount of the District’s deposits was \$3,670,394 and the bank balance was \$4,072,197. Of the bank balance, \$200,000 was insured by the Federal Deposit Insurance Corporation (FDIC). In accordance with Ohio Revised Code, the remaining balance was covered by pooled collateral.

**B. Investments**

The District’s investments at June 30, 2001 were as follows:

	<u>Category 2</u>	<u>Fair Value</u>
<b>Noncategorized Investments</b>		
STAR Ohio	N/A	\$3,002,414
Total Investments	<u>\$0</u>	<u>\$3,002,414</u>



**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$4,922,808	\$1,750,000
Certificates of Deposits (with maturities of more than three months)	1,750,000	(1,750,000)
Investments:		
STAR Ohio	<u>(3,002,414)</u>	<u>3,002,414</u>
Per GASB Statement No. 3	<u><u>\$3,670,394</u></u>	<u><u>\$3,002,414</u></u>

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1993, and equalization adjustments were made in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

**NOTE 6 - PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Zanesville City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2001, upon which the 2000 levies were based, were as follows:

	2000 Second Half <u>Collections</u>	2001 First Half <u>Collections</u>
Agricultural/Residential and Other Real Estate	\$247,564,440	\$303,127,490
Public Utility Personal	22,382,390	22,596,660
Tangible Personal Property	<u>54,803,069</u>	<u>56,710,235</u>
Total Assessed Value	<u>\$324,749,899</u>	<u>\$382,434,385</u>
Tax rate per \$1,000 of assessed valuation	\$44.45	\$43.70

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

**NOTE 8 - INTERFUND BALANCES**

Individual interfund receivable and payable balances at June 30, 2001, are as follows:

	Interfund Loans <u>Receivable</u>	Interfund Loans <u>Payable</u>
General Fund	\$58,000	\$0
Capital Project Fund:		
Emergency Building Repair Fund	0	15,000
Expendable Trust Fund:		
Special Trust Fund	0	40,000
Internal Service Fund:		
Rotary Fund	<u>0</u>	<u>3,000</u>
Totals	<u>\$58,000</u>	<u>\$58,000</u>
	Due From <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$35,000	\$0
Capital Project Fund:		
Emergency Building Repair Fund	<u>0</u>	<u>35,000</u>
Totals	<u>\$35,000</u>	<u>\$35,000</u>

**NOTE 9 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds at June 30, 2001:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$30,145
Special Revenue Fund:		
District Managed Student Activity Fund	31,182	0
Agency Fund:		
Student Managed Activity Fund	145	1,182
Total All Funds	<u>\$31,327</u>	<u>\$31,327</u>

**NOTE 10 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets at June 30, 2001:

Class	Restated			June 30, 2001
	June 30, 2000	Additions	Deletions	
Land	\$761,515	\$0	\$0	\$761,515
Buildings	15,348,132	0	0	15,348,132
Machinery and Equipment	2,705,201	148,401	0	2,853,602
Vehicles	1,174,330	25,258	0	1,199,588
Totals	<u>\$19,989,178</u>	<u>\$173,659</u>	<u>\$0</u>	<u>\$20,162,837</u>

**B. Proprietary Fixed Assets**

Summary by Category at June 30, 2001:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$129,634	(\$119,061)	\$10,573
Total Property, Plant and Equipment	<u>\$129,634</u>	<u>(\$119,061)</u>	<u>\$10,573</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

**A. School Employees Retirement System of Ohio (SERS of Ohio)**

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$683,448, \$630,432, and \$582,048, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2001, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$509,722.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. 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 \$140,696,340 and the target level was \$211.0 million. Net assets available for payment of benefits at June 30, 2000 was \$252.3 million.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio (STRS of Ohio)**

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended 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. At June 30, 2001, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$2,439,720, \$2,219,304, and \$2,074,944, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$784,196 for the District. The balance of the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

**NOTE 12 - COMPENSATED ABSENCES**

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2001, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$3,489,842	\$178,930	\$3,668,772

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

**NOTE 13 - CAPITAL LEASE COMMITMENTS**

The District is obligated under five leases accounted for as capital leases.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2001:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2002	\$5,112
Minimum Lease Payments	5,112
Less: Amount representing interest at the District's incremental borrowing rate of interest	(179)
Present value of minimum lease payments	<u>\$4,933</u>

**NOTE 14 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the bond, intergovernmental payable, capital lease and compensated absences of the District for the year ended June 30, 2001 is as follows:

		Balance June 30, 2000	Issued (Retired)	Balance June 30, 2001
<b>General Long-Term Debt:</b>				
(General Obligation Bond)				
Energy Conservation Bond	5.750%	\$465,000	(\$93,000)	\$372,000
Total General Long-Term Debt		465,000	(93,000)	372,000
<b>Other General Long-Term Obligations:</b>				
Intergovernmental Payable		201,545	7,390	208,935
Capital Leases Payable		22,248	(17,315)	4,933
Compensated Absences		3,311,233	357,539	3,668,772
Total Other General Long-Term Obligations		3,535,026	347,614	3,882,640
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$4,000,026</u>	<u>\$254,614</u>	<u>\$4,254,640</u>

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2001, follows:

Years	General Obligation Bond		
	Principal	Interest	Total
2002	\$93,000	\$24,064	\$117,064
2003	93,000	18,716	111,716
2004	93,000	13,369	106,369
2005	93,000	10,695	103,695
Totals	<u>\$372,000</u>	<u>\$66,844</u>	<u>\$438,844</u>

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains three Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales, and a Latchkey program. The key financial information for the year ended June 30, 2001 for these enterprise activities is as follows:

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Latchkey Fund</u>	<u>Total</u>
Operating Revenues	\$576,294	\$12,362	\$155,037	\$743,693
Depreciation Expense	1,793	0	0	1,793
Operating Loss	(1,016,317)	(514)	(8,543)	(1,025,374)
Net Income (Loss)	56,177	(514)	(3,722)	51,941
Operating Grants	944,989	0	1,306	946,295
Total Assets	451,860	4,176	32,872	488,908
Net Working Capital	214,751	4,176	5,410	224,337
Total Equity	151,245	4,176	5,410	160,831

**NOTE 16 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2000	\$0	\$0	\$470,886	\$470,886
Current Year Set-Aside Requirement	552,605	552,605	294,706	1,399,916
Current Year Offset Credits	0	0	0	0
Qualifying Disbursements	(552,605)	(552,605)	0	(1,105,210)
Total	<u>\$0</u>	<u>\$0</u>	<u>\$765,592</u>	<u>\$765,592</u>
Cash Balance Carried Forward to FY 2002	<u>\$0</u>	<u>\$0</u>	<u>\$765,592</u>	<u>\$765,592</u>
Amount Restricted for Budget Stabilization				<u>765,592</u>
Total Restricted Assets				<u>\$765,592</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.



**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and state 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 adverse effect on the overall financial position of the District at June 30, 2001.

**B. Litigation**

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2001.

**C. State School Funding**

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of June 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**NOTE 18 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2001 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Nationwide Insurance Company	Bus Fleet	\$100
United States Fidelity & Guarantee	Vehicles (non-bus)	\$100
State Auto Insurance Company	Inland Marine	\$100
United States Fidelity & Guarantee, St. Paul, TransContinental and Cincinnati Insurance	Specialty Equipment (instruments, athletics, lawn care, audio visual, etc.)	\$100 - \$250
Utica Insurance Company	Commercial Property	\$500
CNA and TransContinental	Modular Buildings	\$250
Cincinnati Insurance Company	Blanket Bond	\$0
Cincinnati Insurance	Employee Theft	\$0
Nationwide Insurance Company	General Liability	\$0
National Casualty	Volunteers	\$0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Balance June 30, 2000	Additions	Deductions	Balance June 30, 2001
<b><u>District Agency Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$385	\$1,773	(\$1,444)	\$714
Total Assets	<u>\$385</u>	<u>\$1,773</u>	<u>(\$1,444)</u>	<u>\$714</u>
Liabilities:				
Due to Others	\$385	\$1,773	(\$1,444)	\$714
Total Liabilities	<u>\$385</u>	<u>\$1,773</u>	<u>(\$1,444)</u>	<u>\$714</u>
<b><u>Student Managed Activity Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$42,343	\$66,838	(\$72,104)	\$37,077
Total Assets	<u>\$42,343</u>	<u>\$66,838</u>	<u>(\$72,104)</u>	<u>\$37,077</u>
Liabilities:				
Due to Students	\$42,343	\$66,838	(\$72,104)	\$37,077
Total Liabilities	<u>\$42,343</u>	<u>\$66,838</u>	<u>(\$72,104)</u>	<u>\$37,077</u>
<b><u>Totals - All Agency Funds</u></b>				
Assets:				
Cash and Cash Equivalents	\$42,728	\$68,611	(\$73,548)	\$37,791
Total Assets	<u>\$42,728</u>	<u>\$68,611</u>	<u>(\$73,548)</u>	<u>\$37,791</u>
Liabilities:				
Due to Students	\$42,343	\$66,838	(\$72,104)	\$37,077
Due to Others	385	1,773	(1,444)	714
Total Liabilities	<u>\$42,728</u>	<u>\$68,611</u>	<u>(\$73,548)</u>	<u>\$37,791</u>

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	169,588	-	169,588	-
National School Lunch	n/a	10.555	713,721	-	713,721	-
Food Distribution Program	n/a	10.550	0	124,001	0	125,673
Child Care Food Program	n/a	10.558	1,123	-	1,123	-
Total Nutrition Cluster			884,432	124,001	884,432	125,673
<b>Total U.S. Department of Agriculture</b>			884,432	124,001	884,432	125,673
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	045179C1S101 045179C1S101C 045179C1S100	84.010	1,461,585 216,347 131,720 1,809,652	- - - -	1,247,954 216,347 363,732 1,828,033	- - - -
Title VI-B Special Education Assistance for Handicapped Children	0451796BSF01P 0451796BSF00P	84.027	435,770 56,832 492,602	- - -	394,873 125,349 520,222	- - -
Drug Free Schools	045179DRS101	84.186	41,007 41,007	- -	39,500 39,500	- -
Even Start - State Educational Agencies	045179EVS301 045179EVS300	84.213	95,609 63,169 158,778	- - -	84,380 76,083 160,463	- - -
Goals 2000	045179G2S201 051518C2SB00	84.276	61,000 2,857 63,857	- - -	21,688 7,656 29,344	- - -
Eisenhower Professional Dev. Grant	045179MSS101 045179MSS199 045179MSS100	84.281	13,949 - 24,771 38,720	- - - -	3,493 5,014 34,702 43,209	- - - -
Innovative Education Program Strategies	045179C2S101 045179C2S199C 045179C2S100	84.298	34,203 - 25,362 59,565	- - - -	34,052 5,336 25,442 64,830	- - - -
Comprehensive School Reform	045179RFS100	84.332	115,000 115,000	- -	69,994 69,994	- -
Reading Excellence	045179SFY2000	84.338	689,488 689,488	- -	475,966 475,966	- -
Title VI-R Class Size Reduction	045719CRS12000 045719CRS12001	84.340	168,457 77,437 245,894	- - -	168,525 72,683 241,208	- - -
<b>Total U.S. Department of Education</b>			3,714,563	-	3,472,769	-
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>						
Pass through Ohio Office of Criminal Justice Services						
Juvenile Accountability Block Grant		16.523	-	-	14,551	-
<b>Total U.S. Department of Justice</b>			-	-	14,551	-
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
Pass through Ohio Office of Criminal Justice Services						
Medical Assistance - CAFS		93.778	119,442	-	119,442	-
<b>Total U.S. Department of Health and Human Services</b>			119,442	-	119,442	-
<b>Total Federal Awards Expenditures</b>			<b>\$ 4,718,437</b>	<b>\$ 124,001</b>	<b>\$ 4,491,194</b>	<b>\$ 125,673</b>

See notes to Schedule of Federal Awards Expenditures.

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTE A – Significant Account Policies

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

NOTE B – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with the state grants. It is assumed that federal monies are expended first.

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

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

Board of Education  
Zanesville City School District  
Zanesville, Ohio 43701

We have audited the general-purpose financial statements of Zanesville City School District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 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 Zanesville City School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Zanesville City School District in a separate letter dated November 28, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Zanesville City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose 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 which we have reported to management in a separate letter dated November 28, 2001.

Zanesville City School District  
Report on Compliance and on Internal Control Over Financial Reporting  
Page two

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

**Wolfe, Wilson, & Phillips, Inc.**  
Zanesville, Ohio  
November 28, 2001



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

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

Board of Education  
Zanesville City School District  
Zanesville, Ohio 43701

**Compliance**

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Zanesville City School District compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Zanesville City School District compliance with those requirements.

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

### **Internal Control Over Compliance**

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

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

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

**Wolfe, Wilson, & Phillips, Inc.**  
Zanesville, Ohio  
November 28, 2001

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A – 133 SECTION .505  
ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2001**

**1. AUDITOR'S RESULTS**

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	Title VI-B, CFDA #84.027 Reading Excell. CFDA#84.338 Title 1, CFDA#84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

NONE

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

NONE





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**ZANESVILLE CITY SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 15, 2002**