



**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tuscarawas Valley Local School District, Tuscarawas County, Ohio, as of June 30, 2002, 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.

As more fully discussed in Note 8 in the general purpose financial statements, certain errors and omissions resulting in the overstatement of previously reported fixed assets occurred and the General Fixed Assets Account Group balances were restated as of July 1, 2001 accordingly.

In addition, as more fully discussed in Note 8 in the general purpose financial statements, the District increased the capitalization threshold of their capital assets from \$500 to \$1,500 resulting in the reduction of previously reported fixed assets as of July 1, 2001.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2002 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, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

December 4, 2002

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TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 2,221,892	\$ 184,250	\$ 427,215	\$ 24,466
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	4,526,039	-	550,672	-
Accounts	314	-	-	-
Interfund loan receivable	298,390	-	-	-
Due from other governments	-	23,511	-	-
Materials and supplies inventory	44,306	-	-	-
Prepayments	23,208	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	95,009	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 7,209,158</u>	<u>\$ 207,761</u>	<u>\$ 977,887</u>	<u>\$ 24,466</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 195,811	\$ 18,579	\$ -	\$ -
Accrued wages and benefits.	922,601	42,604	-	-
Compensated absences payable.	7,547	-	-	-
Claims payable	-	-	-	-
Pension obligation payable	139,526	2,050	-	-
Interfund loan payable	-	2,390	-	-
Deferred revenue	4,160,567	23,511	505,150	16,431
Due to other governments.	39,258	1,443	-	-
Due to students	-	-	-	-
General obligation bonds payable.	-	-	-	-
Energy conservation loans payable	-	-	-	-
Capital lease obligation	-	-	-	-
Total liabilities.	<u>5,465,310</u>	<u>90,577</u>	<u>505,150</u>	<u>16,431</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (accumulated deficit): unreserved.	-	-	-	-
Fund balances:				
Reserved for encumbrances	235,420	25,267	-	-
Reserved for materials and supplies inventory.	44,306	-	-	-
Reserved for prepayments	23,208	-	-	-
Reserved for debt service	-	-	427,215	-
Reserved for tax revenue unavailable for appropriation	365,472	-	45,522	-
Reserved for textbooks.	65,004	-	-	-
Reserved for capital acquisition.	30,005	-	-	-
Unreserved-undesignated	980,433	91,917	-	8,035
Total equity and other credits.	<u>1,743,848</u>	<u>117,184</u>	<u>472,737</u>	<u>8,035</u>
Total liabilities, equity and other credits	<u>\$ 7,209,158</u>	<u>\$ 207,761</u>	<u>\$ 977,887</u>	<u>\$ 24,466</u>

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

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$ 62,514	\$ 296,056	\$ 52,863	\$ -	\$ -	\$ 3,269,256
-	-	-	-	-	5,076,711
-	-	-	-	-	314
-	-	-	-	-	298,390
12,551	-	-	-	-	36,062
11,640	-	-	-	-	55,946
-	-	-	-	-	23,208
-	-	-	-	-	95,009
112,554	-	-	12,416,172	-	12,528,726
-	-	-	-	472,737	472,737
-	-	-	-	7,683,007	7,683,007
<u>\$ 199,259</u>	<u>\$ 592,056</u>	<u>\$ 52,863</u>	<u>\$ 12,416,172</u>	<u>\$ 8,155,744</u>	<u>\$ 29,835,366</u>
\$ 756	\$ -	\$ -	\$ -	\$ -	\$ 215,146
38,820	-	-	-	-	1,004,025
51,619	-	-	-	914,361	973,527
-	424,229	-	-	-	424,229
13,934	-	-	-	77,094	232,604
-	296,000	-	-	-	298,390
9,198	-	-	-	-	4,714,857
826	-	-	-	-	41,527
-	-	52,863	-	-	52,863
-	-	-	-	6,528,802	6,528,802
-	-	-	-	460,000	460,000
-	-	-	-	175,487	175,487
<u>115,153</u>	<u>720,229</u>	<u>52,863</u>	<u>-</u>	<u>8,155,744</u>	<u>15,121,457</u>
-	-	-	12,416,172	-	12,416,172
20,025	-	-	-	-	20,025
64,081	(424,173)	-	-	-	(360,092)
-	-	-	-	-	260,687
-	-	-	-	-	44,306
-	-	-	-	-	23,208
-	-	-	-	-	427,215
-	-	-	-	-	410,994
-	-	-	-	-	65,004
-	-	-	-	-	30,005
-	-	-	-	-	1,080,385
84,106	(424,173)	-	12,416,172	-	14,417,909
<u>\$ 199,259</u>	<u>\$ 296,056</u>	<u>\$ 52,863</u>	<u>\$ 12,416,172</u>	<u>\$ 8,155,744</u>	<u>\$ 29,539,366</u>

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TUSCARAWAS VALLEY LOCAL 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 FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 3,699,096	\$ -	\$ 556,656	\$ -	\$ -	\$ 4,255,752
Tuition	4,315	-	-	-	-	4,315
Earnings on investments	83,745	-	-	-	-	83,745
Extracurricular	-	141,288	-	-	-	141,288
Other local revenues	24,692	94,227	-	-	600	119,519
Intergovernmental - State	5,348,190	134,100	67,404	39,957	-	5,589,651
Intergovernmental - Federal	-	270,621	-	-	-	270,621
Total revenue	9,160,038	640,236	624,060	39,957	600	10,464,891
Expenditures:						
Current:						
Instruction:						
Regular	4,851,086	194,341	-	3,863	-	5,049,290
Special	673,764	89,150	-	-	-	762,914
Vocational	123,826	-	-	-	-	123,826
Support services:						
Pupil	307,368	17,777	-	-	600	325,745
Instructional staff	363,447	101,125	-	47,774	-	512,346
Board of Education	23,291	-	-	-	-	23,291
Administration	1,126,986	44,306	-	850	-	1,172,142
Fiscal	272,979	-	9,535	-	-	282,514
Business	530	-	-	-	-	530
Operations and maintenance	956,370	-	-	22,896	-	979,266
Pupil transportation	695,491	11,748	-	-	-	707,239
Central	309	23,551	-	-	-	23,860
Extracurricular activities	186,870	172,548	-	-	-	359,418
Facilities acquisition and construction	-	-	-	20,031	-	20,031
Debt service:						
Principal retirement	25,200	-	415,000	-	-	440,200
Interest and fiscal charges	10,533	-	252,031	-	-	262,564
Total expenditures	9,618,050	654,546	676,566	95,414	600	11,045,176
Excess (deficiency) of revenues (under) expenditures	(458,012)	(14,310)	(52,506)	(55,457)	-	(580,285)
Other financing sources (uses):						
Operating transfers in	-	2,105	-	1,311	-	3,416
Operating transfers out	(37,936)	-	-	-	-	(37,936)
Proceeds from sale of fixed assets	50	-	-	-	-	50
Total other financing sources (uses)	(37,886)	2,105	-	1,311	-	(34,470)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(495,898)	(12,205)	(52,506)	(54,146)	-	(614,755)
Fund balances, July 1	2,224,526	129,389	525,243	62,181	-	2,941,339
Increase in reserve for inventory	15,220	-	-	-	-	15,220
Fund balances, June 30	\$ 1,743,848	\$ 117,184	\$ 472,737	\$ 8,035	\$ -	\$ 2,341,804

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

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 4,219,481	\$ 4,439,430	\$ 219,949	\$ -	\$ -	\$ -
Tuition	12,116	4,315	(7,801)	-	-	-
Earnings on investments	198,065	83,745	(114,320)	-	-	-
Extracurricular	-	-	-	145,040	141,289	(3,751)
Other local revenues	41,404	24,707	(16,697)	81,912	94,533	12,621
Other revenue	2,600	-	(2,600)	-	-	-
Intergovernmental - State	4,863,026	5,348,190	485,164	130,548	134,100	3,552
Intergovernmental - Federal	-	-	-	270,938	270,621	(317)
Total revenues	<u>9,336,692</u>	<u>9,900,387</u>	<u>563,695</u>	<u>628,438</u>	<u>640,543</u>	<u>12,105</u>
Expenditures:						
Current:						
Instruction:						
Regular	5,007,795	4,889,916	117,879	221,352	217,158	4,194
Special	620,164	654,873	(34,709)	109,285	94,057	15,228
Vocational	120,428	124,549	(4,121)	-	-	-
Support services:						
Pupil	301,809	309,835	(8,026)	38,107	29,218	8,889
Instructional staff	346,494	365,538	(19,044)	105,394	100,958	4,436
Board of Education	24,857	23,291	1,566	-	-	-
Administration	1,152,236	1,136,955	15,281	46,049	43,295	2,754
Fiscal	297,531	272,160	25,371	-	-	-
Business	38,978	36,263	2,715	-	-	-
Operations and maintenance	1,031,078	976,690	54,388	-	-	-
Pupil transportation	891,735	831,706	60,029	23,946	11,410	12,536
Central	8,000	309	7,691	34,000	23,552	10,448
Extracurricular activities	222,324	195,524	26,800	203,159	179,748	23,411
Facilities acquisition and construction	-	-	-	-	-	-
Debt service:						
Principal retirement	60,000	60,000	-	-	-	-
Interest and fiscal charges	31,975	29,193	2,782	-	-	-
Total expenditures	<u>10,155,404</u>	<u>9,906,802</u>	<u>248,602</u>	<u>781,292</u>	<u>699,396</u>	<u>81,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(818,712)</u>	<u>(6,415)</u>	<u>812,297</u>	<u>(152,854)</u>	<u>(58,853)</u>	<u>94,001</u>
Other financing sources (uses):						
Advances in	127,973	189,146	61,173	51	17,390	17,339
Advances out	(200,000)	(313,360)	(113,360)	-	(16,074)	(16,074)
Operating transfers in	-	164,438	164,438	2,832	2,105	(727)
Operating transfers out	(120,000)	(202,374)	(82,374)	-	-	-
Proceeds from sale of fixed assets	721	50	(671)	-	-	-
Refund of prior year's receipts	(15)	(15)	-	-	-	-
Refund of prior year expenditure	23,745	-	(23,745)	-	-	-
Total other financing sources (uses)	<u>(167,576)</u>	<u>(162,115)</u>	<u>5,461</u>	<u>2,883</u>	<u>3,421</u>	<u>538</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(986,288)</u>	<u>(168,530)</u>	<u>817,758</u>	<u>(149,971)</u>	<u>(55,432)</u>	<u>94,539</u>
Fund balances, July 1	1,853,371	1,853,371	-	170,095	170,095	-
Prior year encumbrances appropriated	212,567	212,567	-	30,180	30,180	-
Fund balances, June 30	<u>\$ 1,079,650</u>	<u>\$ 1,897,408</u>	<u>\$ 817,758</u>	<u>\$ 50,304</u>	<u>\$ 144,843</u>	<u>\$ 94,539</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 551,417	\$ 551,059	\$ (358)	\$ -	\$ -	\$ -	\$ 4,770,898	\$ 4,990,489	\$ 219,591
-	-	-	-	-	-	12,116	4,315	(7,801)
-	-	-	-	-	-	198,065	83,745	(114,320)
-	-	-	-	-	-	145,040	141,289	(3,751)
-	-	-	-	-	-	123,316	119,240	(4,076)
-	-	-	-	-	-	2,600	-	(2,600)
36,626	67,404	30,778	39,597	56,388	16,791	5,069,797	5,606,082	536,285
-	-	-	-	-	-	270,938	270,621	(317)
<u>588,043</u>	<u>618,463</u>	<u>30,420</u>	<u>39,597</u>	<u>56,388</u>	<u>16,791</u>	<u>10,592,770</u>	<u>11,215,781</u>	<u>623,011</u>
-	-	-	3,047	17,391	(14,344)	5,232,194	5,124,465	107,729
-	-	-	-	-	-	729,449	748,930	(19,481)
-	-	-	-	-	-	120,428	124,549	(4,121)
-	-	-	-	-	-	339,916	339,053	863
-	-	-	93,676	79,864	13,812	545,564	546,360	(796)
-	-	-	-	-	-	24,857	23,291	1,566
-	-	-	1,678	850	828	1,199,963	1,181,100	18,863
10,000	9,535	465	-	-	-	307,531	281,695	25,836
-	-	-	-	-	-	38,978	36,263	2,715
-	-	-	24,757	24,446	311	1,055,835	1,001,136	54,699
-	-	-	-	-	-	915,681	843,116	72,565
-	-	-	-	-	-	42,000	23,861	18,139
-	-	-	-	-	-	425,483	375,272	50,211
-	-	-	34,482	28,336	6,146	34,482	28,336	6,146
355,000	355,000	-	-	-	-	415,000	415,000	-
310,735	222,838	87,897	-	-	-	342,710	252,031	90,679
<u>675,735</u>	<u>587,373</u>	<u>88,362</u>	<u>157,640</u>	<u>150,887</u>	<u>6,753</u>	<u>11,770,071</u>	<u>11,344,458</u>	<u>425,613</u>
<u>(87,692)</u>	<u>31,090</u>	<u>118,782</u>	<u>(118,043)</u>	<u>(94,499)</u>	<u>23,544</u>	<u>(1,177,301)</u>	<u>(128,677)</u>	<u>1,048,624</u>
-	-	-	-	-	-	128,024	206,536	78,512
-	-	-	-	-	-	(200,000)	(329,434)	(129,434)
-	-	-	1,311	1,311	-	4,143	167,854	163,711
-	-	-	-	-	-	(120,000)	(202,374)	(82,374)
-	-	-	-	-	-	721	50	(671)
-	-	-	-	-	-	(15)	(15)	-
-	-	-	-	-	-	23,745	-	(23,745)
-	-	-	1,311	1,311	-	(163,382)	(157,383)	5,999
(87,692)	31,090	118,782	(116,732)	(93,188)	23,544	(1,340,683)	(286,060)	1,054,623
396,125	396,125	-	1,337	1,337	-	2,420,928	2,420,928	-
-	-	-	116,317	116,317	-	359,064	359,064	-
<u>\$ 308,433</u>	<u>\$ 427,215</u>	<u>\$ 118,782</u>	<u>\$ 922</u>	<u>\$ 24,466</u>	<u>\$ 23,544</u>	<u>\$ 1,439,309</u>	<u>\$ 2,493,932</u>	<u>\$ 1,054,623</u>

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/ACCUMULATED DEFICIT
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$ 35,558	\$ -	\$ 35,558
Sales/charges for services	<u>286,196</u>	<u>1,295,421</u>	<u>1,581,617</u>
Total operating revenues	<u>321,754</u>	<u>1,295,421</u>	<u>1,617,175</u>
Operating expenses:			
Personal services	285,696	108,304	394,000
Contract services	11,629	-	11,629
Materials and supplies	208,063	-	208,063
Depreciation	9,282	-	9,282
Claims expense	<u>-</u>	<u>1,215,293</u>	<u>1,215,293</u>
Total operating expenses	<u>514,670</u>	<u>1,323,597</u>	<u>1,838,267</u>
Operating loss	<u>(192,916)</u>	<u>(28,176)</u>	<u>(221,092)</u>
Nonoperating revenues (expenses):			
Operating grants	118,423	-	118,423
Federal commodities	26,364	-	26,364
Loss on disposal of assets	(1,477)	-	(1,477)
Other nonoperating revenues	<u>5,753</u>	<u>-</u>	<u>5,753</u>
Total nonoperating revenues (expenses)	<u>149,063</u>	<u>-</u>	<u>149,063</u>
Net loss before operating transfers	(43,853)	(28,176)	(72,029)
Operating Transfer-In	<u>34,520</u>	<u>-</u>	<u>34,520</u>
Net Loss	(9,333)	(28,176)	(37,509)
Retained earnings (accumulated deficit), July 1	<u>73,414</u>	<u>(395,997)</u>	<u>(322,583)</u>
Retained earnings (accumulated deficit), June 30	<u>\$ 64,081</u>	<u>\$ (424,173)</u>	<u>\$ (360,092)</u>

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

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$ 37,838	\$ -	\$ 37,838
Cash received from sales/service charges	286,196	1,295,421	1,581,617
Cash payments for personal services	(286,136)	(108,304)	(394,440)
Cash payments for contract services	(11,893)	-	(11,893)
Cash payments for materials and supplies	(198,091)	-	(198,091)
Cash payments for claims expenses	-	(1,187,117)	(1,187,117)
Net cash used in operating activities	<u>(172,086)</u>	<u>-</u>	<u>(172,086)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	129,777	-	129,777
Cash received from transfers-in	34,520	-	34,520
Cash received from interfund loans	-	296,000	296,000
Cash payments used in repayment of interfund loans	-	(173,072)	(173,072)
Net cash provided by noncapital financing activities	<u>164,297</u>	<u>122,928</u>	<u>287,225</u>
Net increase (decrease) in cash and cash equivalents	(7,789)	122,928	115,139
Cash and cash equivalents at beginning of year	<u>70,303</u>	<u>173,128</u>	<u>243,431</u>
Cash and cash equivalents at end of year	<u>\$ 62,514</u>	<u>\$ 296,056</u>	<u>\$ 358,570</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (192,916)	\$ (28,176)	\$ (221,092)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	9,282	-	9,282
Federal donated commodities	26,364	-	26,364
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(1,741)	-	(1,741)
Decrease in accounts receivable	2,280	-	2,280
Decrease in accounts payable	(16,426)	-	(16,426)
Increase in accrued wages and benefits	1,704	-	1,704
Decrease in compensated absences payable	(2,808)	-	(2,808)
Decrease in pension obligation payable	(162)	-	(162)
Increase in due to other governments	826	-	826
Increase in claims payable	-	28,176	28,176
Increase in deferred revenue	1,511	-	1,511
Net cash used in operating activities	<u>\$ (172,086)</u>	<u>\$ -</u>	<u>\$ (172,086)</u>

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District ranks as the 326th largest by total enrollment among the 705 public and community school districts in the state. It operates under a locally-elected, five-member board and provides educational services as authorized and mandated by state and federal agencies. The Board controls the District’s 5 instructional support facilities staffed by 65 classified employees and 125 certificated teaching personnel, and 6 administrators, who provide services to 1,719 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District (JVSD)

The JVSD is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVSD's Board of Education is comprised of representatives from the Board of each participating school district. THE JVSD's Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the JVSD's Board. During fiscal year 2002, no monies were paid to the JVSD by the District.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

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

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

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

Tuscarawas County Tax Incentive Review Council (TCTIRC)

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

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

B. Fund Accounting

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

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

FIDUCIARY FUNDS

Fiduciary Fund Types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - The Expendable Trust Fund is 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. The Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Funds.

Agency Funds - The Agency Fund is used to account for assets held by the District as an agent. Agency Funds are custodial in nature (Assets equal Liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in another fund type, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year) and accounts (student fees and tuition). Property taxes measurable as of June 30, 2002 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2003 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as an advance at June 30. This amount is recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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. Budgets

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Tuscarawas County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 12 provides disclosure of the encumbrances outstanding for the enterprise funds at fiscal year-end.

E. Cash and Investments

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

During fiscal year 2002, investments were limited to STAR Ohio and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statute, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal 2002 amounted to \$83,745, which includes \$22,333 assigned from other District funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

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

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,500 and a useful life of less than one year. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

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

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	5-20

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

G. 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 sick pay is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick pay on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

H. Long-Term Obligations

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

I. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, textbooks and capital acquisition. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2002.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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, 2002.

An analysis of interfund transactions is presented in Note 5.

K. Inventory

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

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

L. Prepayments

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

M. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33 and starting with fiscal year 2001, capital contributions are recorded as revenue and as a component of retained earnings at year-end. There were no capital contributions received by the enterprise funds in 2002. Contributed capital in the enterprise funds at June 30, 2002, is \$20,025.

N. 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 17 for details.

O. Estimates

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

P. Memorandum Only - Total Columns

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Public School Preschool	\$ 7,778
Miscellaneous Federal Grants	3,795
 <u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	424,173

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

The deficit fund balances in the Public School Preschool and Miscellaneous Federal Grants special revenue funds are a result of accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated and intergovernmental revenues not recognized at June 30.

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

B. Agency Funds

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

<u>LIABILITIES</u>	
Accounts Payable	\$1,785

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

At June 30, 2002, the District had a negative cash balance with the Ohio Mid-Eastern Regional Education Service Agency. To eliminate this negative balance, the General Fund advanced the Internal Service Fund \$296,000. This amount has been included in the combined balance sheet as "Interfund Loan Payable". The advance from the General Fund is reflected as equity in pooled cash and cash equivalents in the Internal Service Fund rather than equity in cash equivalents with fiscal agent as the amount was not remitted to the fiscal agent as of June 30, 2002.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$(2,471) and the bank balance was \$175,000. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments". Of the bank balance:

1. \$100,000 was covered by federal deposit insurance.
2. \$75,000 was uninsured and uncollateralized because it was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$451,311</u>	\$ 451,311	\$ 451,311
Investment in STAR Ohio		<u>2,915,425</u>	<u>2,915,425</u>
Total investments		<u>\$3,366,736</u>	<u>\$3,366,736</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,364,265	\$ -
Investments of the cash management pool:		
Repurchase agreement	(451,311)	451,311
Investment in STAR Ohio	<u>(2,915,425)</u>	<u>2,915,425</u>
GASB Statement No. 3	<u>\$ (2,471)</u>	<u>\$3,366,736</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$298,390	\$ -
<u>Special Revenue Funds</u>		
Drug-Free Schools and Communities	-	174
District Managed Activity	-	2,216
<u>Internal Service Fund</u>		
Employee Benefits Self-Insurance	-	<u>296,000</u>
Totals	<u>\$298,390</u>	<u>\$298,390</u>

- B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$37,936
<u>Special Revenue Fund</u>		
Public School Preschool	2,105	-
<u>Capital Projects Fund</u>		
Permanent Improvement	1,311	-
<u>Enterprise Funds</u>		
Food Service	34,490	
Uniform School Supplies	<u>30</u>	<u>-</u>
Totals	<u>\$37,936</u>	<u>\$37,936</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was \$155,904,680. Agricultural/residential real estate represented \$123,138,910 or 78.98% of this total, commercial & industrial real estate represented \$17,534,910 or 11.25% of this total, public utility tangible represented \$7,748,970 or 4.97% of this total and general tangible property represented \$7,481,890 or 4.80% of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$38.70 per \$1,000.00 of assessed valuation for operations, and \$3.80 per \$1,000.00 of assessed valuation for debt service.

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although, total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount of tax advance available at year-end was \$410,994 and has been recorded as revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with Ohio Rev. Code Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent eligibility requirements have been met). 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:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$4,526,039
Accounts	314
Interfund loan receivable	298,390
<u>Special Revenue Fund</u>	
Due from other government	23,511
<u>Debt Service Fund</u>	
Taxes - current and delinquent	550,672
<u>Enterprise Fund</u>	
Due from other governments	12,551

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

The general fixed assets account group has been restated as of July 1, 2001 due to errors and omissions in the amounts previously reported and an increase in the capitalization threshold from \$500 to \$1,500 of the District's capital assets during fiscal year 2002.

<u>Asset Category</u>	<u>Balance June 30, 2001</u>	<u>Correction</u>	<u>Restated Balance July 1, 2001</u>
Land/improvements	\$ 569,300	\$ 43,765	\$ 613,065
Buildings/improvements	8,950,133	(287,965)	8,662,168
Furniture/equipment	4,039,775	(1,991,365)	2,048,410
Vehicles	<u>903,054</u>	<u>73,224</u>	<u>976,278</u>
Total	<u>\$14,462,262</u>	<u>\$(2,162,341)</u>	<u>\$12,299,921</u>

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

	<u>Restated Balance July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2002</u>
Land/improvements	\$ 613,065	\$ 3,795	\$ (75,432)	\$ 541,428
Buildings/improvements	8,662,168	20,704	-	8,682,872
Furniture/equipment	2,048,410	224,871	(3,177)	2,270,104
Vehicles	<u>976,278</u>	<u>18,724</u>	<u>(73,234)</u>	<u>921,768</u>
Total	<u>\$12,299,921</u>	<u>\$268,094</u>	<u>\$(151,843)</u>	<u>\$12,416,172</u>

B. Proprietary Fixed Assets

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$ 228,002
Less: accumulated depreciation	<u>(115,448)</u>
Net fixed assets	<u>\$ 112,554</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

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

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$206,771. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The principal and interest payments are being made out of the general fund. Principal payments in fiscal year 2002 totaled \$25,200.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2002.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2003	\$ 35,733
2004	35,733
2005	35,733
2006	35,733
2007	35,733
2008	<u>26,800</u>
Total	205,465
Less: amount representing interest	<u>(29,978)</u>
Present value of net minimum lease payments	<u>\$175,487</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 10 - LONG-TERM OBLIGATIONS

A. On June 3, 1999, the District issued \$6,949,981 general obligation various purpose refunding bonds. The issue is comprised of both current interest bonds, par value \$5,980,000, and capital appreciation bonds, par value \$969,981. The interest rates on the current interest bonds range from 3.40% to 5.35%. The proceeds of the bonds were used to advance refund the District's 1995 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunded bonds at June 30, 2002 was \$6,175,000.

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

The capital appreciation bonds mature in various installments between December 1, 2013 and December 1, 2019 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds have effective interest rates between 8.0839% and 8.9204%. The present value reported in the general long-term obligations account group at June 30, 2002 was \$1,508,802. A total of \$538,821 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2002.

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

The following is a schedule of activity for fiscal 2002 for the 1999 series general obligation bonds:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Appreciation</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2002</u>
Current interest bonds	\$5,375,000	\$ -	\$(355,000)	\$5,020,000
Capital appreciation bonds	<u>1,329,195</u>	<u>179,607</u>	-	<u>1,508,802</u>
Total G.O. bonds	<u>\$6,704,195</u>	<u>\$179,607</u>	<u>\$(355,000)</u>	<u>\$6,528,802</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 370,000	\$ 209,060	\$ 579,060	\$ -	\$ -	\$ -
2004	385,000	194,334	579,334	-	-	-
2005	400,000	178,730	578,730	-	-	-
2006	420,000	162,120	582,120	-	-	-
2007	430,000	144,480	574,480	-	-	-
2008 - 2012	2,460,000	416,653	2,876,653	-	-	-
2013 - 2017	555,000	12,904	567,904	603,908	1,731,092	2,335,000
2018 - 2020	-	-	-	366,073	1,383,927	1,750,000
Total	<u>\$5,020,000</u>	<u>\$1,318,281</u>	<u>\$6,338,281</u>	<u>\$969,981</u>	<u>\$3,115,019</u>	<u>\$4,085,000</u>

- B.** The District also has energy conservation loans outstanding at June 30, 2002. The energy conservation loans were issued in fiscal year 1997 and 2000 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from an energy conservation project under House Bill 264. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. The following is a description of the District's long-term debt obligations outstanding as of June 30, 2002:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2001</u>	<u>Appreciation in 2002</u>	<u>Retired in 2002</u>	<u>Outstanding June 30, 2002</u>
General obligation bonds	3.40%-5.35%	12/01/19	\$6,344,981	\$ -	\$(355,000)	\$5,989,981
Accretion of capital appreciation bonds		12/01/19	<u>359,214</u>	<u>179,607</u>	-	<u>538,821</u>
			6,704,195	179,607	(355,000)	6,528,802
Energy conservation loans	5.70%	Various	<u>520,000</u>	-	<u>(60,000)</u>	<u>460,000</u>
Total			<u>\$7,224,195</u>	<u>\$179,607</u>	<u>\$(415,000)</u>	<u>\$6,988,802</u>

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

<u>Fiscal Year Ending</u>	<u>Principal on Debt</u>	<u>Interest on Debt</u>	<u>Total</u>
2003	\$ 435,000	\$ 234,640	\$ 669,640
2004	450,000	216,159	666,159
2005	470,000	196,800	666,800
2006	495,000	175,998	670,998
2007	505,000	154,023	659,023
2008 - 2012	2,570,000	429,926	2,999,926
2013 - 2017	1,158,908	1,743,996	2,902,904
2018 - 2020	<u>366,073</u>	<u>1,383,927</u>	<u>1,750,000</u>
Total	<u>\$6,449,981</u>	<u>\$4,535,469</u>	<u>\$10,985,450</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

E. During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid.

	Balance <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2002</u>
Compensated absences	\$ 880,556	\$ 59,508	\$ (25,703)	\$ 914,361
Pension obligation payable	76,306	77,094	(76,306)	77,094
General obligation bond payable	6,344,981	-	(355,000)	5,989,981
Accretion of capital appreciation bonds	359,214	179,607	-	538,821
Energy conservation loans	520,000	-	(60,000)	460,000
Capital lease obligation	<u>200,687</u>	<u>-</u>	<u>(25,200)</u>	<u>175,487</u>
Total	<u>\$8,381,744</u>	<u>\$316,209</u>	<u>\$(542,209)</u>	<u>\$8,155,744</u>

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, 2002 are a voted debt margin of \$8,514,177 (including available funds of \$472,737) and an unvoted debt margin of \$155,905.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the District contracted with Indiana Insurance Company for property and fleet insurance. Coverages provided by Indiana Insurance are as follows:

Building and Contents - replacement cost (\$1,000 deductible), Boiler and Machinery (\$1,000 deductible), and Inland Marine Coverage (\$50 deductible)	\$29,912,790
Automobile Liability - collision (\$1,000 deductible)	2,000,000
Uninsured Motorists (\$0 deductible)	2,000,000

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2002, 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 of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - RISK MANAGEMENT - (Continued)

Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$686.38	\$299.17
Dental	48.86	48.86
Vision	18.07	6.66

The liability for unpaid claims of \$424,229 reported in the internal service fund at June 30, 2002, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2001 - 2002	\$396,053	\$1,215,293	\$(1,187,117)	\$424,229
2000 - 2001	313,665	1,226,421	(1,144,033)	396,053

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$286,196	\$35,558	\$321,754
Operating expense			
before depreciation	477,406	27,982	505,388
Depreciation	9,282	-	9,282
Operating income/(loss)	(200,492)	7,576	(192,916)
Operating grants	118,423	-	118,423
Transfers-in	34,490	30	34,520
Federal donated commodities	26,364	-	26,364
Net income/(loss)	(16,939)	7,606	(9,333)
Net working capital	(61,879)	50,530	(11,349)
Total assets	147,957	51,302	199,259
Total liabilities	114,411	742	115,153
Contributed capital	20,025	-	20,025
Total equity/(deficit)	33,546	50,560	84,106
Encumbrances			
outstanding at June 30	323	2,003	2,326

NOTE 13 - 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, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 - 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 2002; 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, 2002, 2001 and 2000 were \$199,035, \$180,785, and \$167,826, respectively; 50.56% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$98,400, representing the unpaid contribution for fiscal year 2002, 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% for 2002; 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, 2002, 2001, and 2000 were \$680,242, \$647,578, and \$605,610, respectively; 81.22% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$127,760, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - 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 the Systems based on authority granted by state statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$218,649 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll, a 1.26 percent reduction from the prior fiscal year. 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 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.70 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 \$141,739 during the 2002 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over/Under Expenditures and Other Financing Uses			
	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(168,530)	\$(55,432)	\$31,090	\$(93,188)
Net adjustment for revenue accruals	(740,349)	(307)	5,597	(16,431)
Net adjustment for expenditure accruals	(130,741)	5,443	(89,193)	55,473
Net adjustment for other financing sources/(uses)	124,229	(1,316)	-	-
Encumbrances (budget basis)	<u>419,493</u>	<u>39,407</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$(495,898)</u>	<u>\$(12,205)</u>	<u>\$(52,506)</u>	<u>\$(54,146)</u>

NOTE 16 - 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, 2002.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

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

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline 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.

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. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - 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, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2001	\$ 92,929	\$ 37,417	\$ 43,280
Current year set-aside requirement	193,964	193,964	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(221,889)</u>	<u>(201,376)</u>	<u>(43,280)</u>
Total	<u>\$ 65,004</u>	<u>\$ 30,005</u>	<u>\$ -</u>
Cash balance carried forward to FY 2003	<u>\$ 65,004</u>	<u>\$ 30,005</u>	<u>\$ -</u>

During fiscal 2002, the District spent the budget stabilization reserve on allowable expenditures according to State statute. The District is still required to maintain the textbook and capital acquisition reserve.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for textbooks	\$ 65,004
Amount restricted for capital acquisition	<u>30,005</u>
Total restricted assets	<u>\$95,009</u>

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

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						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Donation	N/A	10.550	\$0	\$27,875	\$0	\$26,364
School Breakfast Program	N/A	10.553	7,731	0	7,731	0
National School Lunch Program	N/A	10.555	<u>115,852</u>	<u>0</u>	<u>115,852</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			123,583	27,875	123,583	26,364
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster: Special Education Grants to States	6B-SF-01 6B-SF-02	84.027	0 <u>120,024</u>	0 <u>0</u>	17,134 <u>106,021</u>	0 <u>0</u>
Total Special Education Cluster			<u>120,024</u>	<u>0</u>	<u>123,155</u>	<u>0</u>
Title I Grants to Local Educational Agencies	C1-S1-01 C1-S1-02	84.010	0 <u>93,642</u>	0 <u>0</u>	12,234 <u>79,561</u>	0 <u>0</u>
Total Title I Grants to Local Educational Activities			<u>93,642</u>	<u>0</u>	<u>91,795</u>	<u>0</u>
Eisenhower Professional Development State Grants	MS-S1-01 MS-S1-02	84.281	584 <u>6,620</u>	0 <u>0</u>	2,675 <u>4,059</u>	0 <u>0</u>
Total Eisenhower Professional Development State Grants			<u>7,204</u>	<u>0</u>	<u>6,734</u>	<u>0</u>
Class Size Reduction	CR-S1-01 CR-S1-02	84.340	0 <u>33,875</u>	0 <u>0</u>	5,516 <u>33,875</u>	0 <u>0</u>
Total Class Size Reduction			<u>33,875</u>	<u>0</u>	<u>39,391</u>	<u>0</u>
Innovative Education Program Strategies	C2-S1-01 C2-S1-02	84.298	6,942 <u>2,518</u>	0 <u>0</u>	8,466 <u>108</u>	0 <u>0</u>
Total Innovative Education Program Strategies			<u>9,460</u>	<u>0</u>	<u>8,574</u>	<u>0</u>
Safe and Drug-Free Schools and Communities: State Grants	DR-S1-00 DR-S1-01 DR-S1-02	84.186	0 4,966 <u>1,450</u>	0 0 <u>0</u>	12 4,240 <u>1,453</u>	0 0 <u>0</u>
Total Safe and Drug-Free Schools and Communities: State Grants			<u>6,416</u>	<u>0</u>	<u>5,705</u>	<u>0</u>
Total U.S. Department of Education			<u>270,621</u>	<u>0</u>	<u>275,354</u>	<u>0</u>
Totals			<u>\$394,204</u>	<u>\$27,875</u>	<u>\$398,937</u>	<u>\$26,364</u>

See Accompanying Notes to Schedule of Receipts and Expenditures of Federal Awards

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had \$9,198 in food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of the Tuscarawas Valley Local School District Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 4, 2002. That report included an emphasis of matter related to corrections of errors and omissions in the General Fixed Assets Account Group and an explanatory paragraph related to the change in the District's capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 4, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 4, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 program for the year ended June 30, 2002.

However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 4, 2002.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 4, 2002

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF 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 material 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 § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 10.550, 10.553 and 10.555, Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	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

JIM PETRO, AUDITOR OF STATE

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TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2003**