

**ZANESVILLE CITY
SCHOOL DISTRICT**

ANNUAL REPORT

YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

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Board of Education
Zanesville City School District
160 North Fourth Street
Zanesville, Ohio 43701

We have reviewed the Independent Auditor's Report of the Zanesville City School District, Muskingum County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

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**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**ELECTED OFFICIALS
AS OF JUNE 30, 2002**

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Ward Coffman III	President	1/1/00-12/31/03
Ann Hoffer	Vice President	1/1/02-12/31/05
Mary Antonetz	Member	1/1/00-12/31/03
Mary Lou Ellis	Member	1/1/00-12/31/03
Tom Vandegriff	Member	1/1/02-12/31/05

Legal Counsel

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

Official Address

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

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2002**

<u>TITLE/ NAME</u>	<u>TERM OF OFFICE OR CONTRACT PERIOD</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<u>Superintendent</u> Michael F. Pockl	8/1/00-7/31/04	(A)	\$20,000	1/1/02-12/31/02
<u>Assistant Superintendent</u> Terry Martin	8/1/01-7/31/05	n/a		1/1/02-12/31/02
<u>Treasurer</u> John Ramshaw	1/8/01-2/28/02	(A)	\$20,000	1/15/02-2/28/02
Cindy Nye	3/1/02-Org. Mtg 2005	(A)	\$20,000	3/1/02-1/15/03

(A) The Cincinnati Insurance Company

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

GOVERNMENTAL FUND TYPE:

General Fund Type:

General Fund

Special Revenue Fund Type:

Public School Support Fund

Other Grants Fund

Venture Capital Grant Fund

Districted Managed Accounts Fund

Textbook Subsidy

Teacher Development Block Grant Fund

Management Information System Fund

Entry Year Programs Fund

Ohio School Net

Disadvantaged Pupil Impact Aid Fund

Library Automation

Transition Funding Fund

Ohio Reads Grant Fund

Miscellaneous State Grant Funds

Eisenhower Math and Science Grant Fund

Child/Adult Care Food Program Fund

Title I Fund - Special Education Needs of Disadvantaged Children

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

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

School Age Child Care Grant Fund

Drug Free Schools Fund

Miscellaneous Federal Grant Fund

GOALS 2000 Grant Fund

Class Size Reduction Fund

Reading Excellence Fund

Auxiliary Services – Non Public School Fund

Debt Service Fund Types:

Energy Conservation Bond Retirement Fund

Capital Projects Fund Types:

Permanent Improvement Fund

Emergency Building Repair Fund

Technology Equity

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Food Service Fund

Uniform School Supplies Fund

Latchkey/Muskingum Girls Softball Fund

Internal Service Fund Type:

Internal Services Rotary Fund

FIDUCIARY FUND TYPE:

Expendable Trust Funds

Special Trust Fund

Agency Funds

Student Managed Activity

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

INDEPENDENT AUDITORS' REPORT

Board Of Education
Zanesville City School District
Zanesville, Ohio 43701

We have audited the accompanying general-purpose financial statements of the Zanesville City School District as of and for the year ended June 30, 2002. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Zanesville City School District as of June 30, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2002, on our consideration of the Zanesville City School District's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 13, 2002

ZANESVILLE CITY SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$2,034,382	\$1,233,617	\$0	\$14,818,504
Investments	60,493	6,268	0	433,239
Receivables (net of allowance for doubtful accounts):				
Taxes	10,718,384	0	1,387,849	0
Accounts	37,288	100	0	0
Intergovernmental	7,619	1,015,411	0	0
Interest	8,290	0	0	0
Interfund Loans Receivable	22,302	0	0	0
Due from Other Funds	35,000	0	0	0
Inventory of Supplies at Cost	0	0	0	0
Prepaid Items	40,878	772	0	0
Restricted Assets:				
Cash and Cash Equivalents	672,162	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$13,636,798	\$2,256,168	\$1,387,849	\$15,251,743
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$168,900	\$159,696	\$0	\$3,573
Accrued Wages and Benefits	3,447,432	768,284	0	0
Intergovernmental Payables	632,034	124,140	0	55
Interfund Loans Payable	0	0	0	15,000
Due to Other Funds	0	0	0	35,000
Due to Others	0	0	0	0
Due to Students	0	0	0	0
Deferred Revenue	0	176,086	0	0
Deferred Revenue - Taxes	8,380,540	0	1,286,828	0
Accrued Interest Payable	0	0	0	2,404
General Obligation Notes Payable	0	0	0	15,000,000
General Obligation Bond Payable	0	0	0	0
Compensated Absences Payable	170,573	98,265	0	0
Capital Leases Payable	0	0	0	0
Total Liabilities	12,799,479	1,326,471	1,286,828	15,056,032
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	286,180	282,259	0	6,596
Reserved for Property Taxes	2,337,844	0	101,021	0
Statutory Reserves	672,162	0	0	0
Reserved for Prepaid Items	40,878	772	0	0
Unreserved:				
Undesignated	(2,499,745)	646,666	0	189,115
Total Equity and Other Credits	837,319	929,697	101,021	195,711
Total Liabilities, Equity and Other Credits	\$13,636,798	\$2,256,168	\$1,387,849	\$15,251,743

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

ZANESVILLE CITY SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

<i>Proprietary</i>	<i>Fiduciary</i>	<i>Account</i>		Totals	
<i>Fund Types</i>	<i>Fund Types</i>	<i>Groups</i>		(Memorandum	
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	Only)
\$330,280	\$237,430	\$47,227	\$0	\$0	\$18,701,440
0	0	0	0	0	500,000
0	0	0	0	0	12,106,233
491	0	0	0	0	37,879
132,640	0	0	0	0	1,155,670
0	0	0	0	0	8,290
0	0	0	0	0	22,302
0	0	0	0	0	35,000
17,038	0	0	0	0	17,038
0	0	0	0	0	41,650
0	0	0	0	0	672,162
10,557	0	0	20,899,305	0	20,909,862
0	0	0	0	4,331,474	4,331,474
<u>\$491,006</u>	<u>\$237,430</u>	<u>\$47,227</u>	<u>\$20,899,305</u>	<u>\$4,331,474</u>	<u>\$58,539,000</u>
\$15,219	\$15,173	\$328	\$0	\$0	\$362,889
163,469	14,039	0	0	0	4,393,224
89,129	15,230	0	0	205,396	1,065,984
4,302	3,000	0	0	0	22,302
0	0	0	0	0	35,000
0	0	815	0	0	815
0	0	38,710	0	0	38,710
8,597	0	0	0	0	184,683
0	0	0	0	0	9,667,368
0	0	0	0	0	2,404
0	0	0	0	0	15,000,000
0	0	0	0	279,000	279,000
76,326	0	0	0	3,821,817	4,166,981
0	0	0	0	25,261	25,261
<u>357,042</u>	<u>47,442</u>	<u>39,853</u>	<u>0</u>	<u>4,331,474</u>	<u>35,244,621</u>
0	0	0	20,899,305	0	20,899,305
133,964	189,988	0	0	0	323,952
0	0	27	0	0	575,062
0	0	0	0	0	2,438,865
0	0	0	0	0	672,162
0	0	0	0	0	41,650
0	0	7,347	0	0	(1,656,617)
<u>133,964</u>	<u>189,988</u>	<u>7,374</u>	<u>20,899,305</u>	<u>0</u>	<u>23,294,379</u>
<u>\$491,006</u>	<u>\$237,430</u>	<u>\$47,227</u>	<u>\$20,899,305</u>	<u>\$4,331,474</u>	<u>\$58,539,000</u>

ZANESVILLE CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$12,587,981	\$0	\$212,737	\$0	\$0	\$12,800,718
Tuition	666,115	0	0	0	0	666,115
Investment Earnings	180,871	469	0	3,021	0	184,361
Extracurricular Activities	0	187,779	0	0	0	187,779
Class Material and Fees	23,163	0	0	0	0	23,163
Intermediate Sources	17,438	0	0	0	0	17,438
Intergovernmental - State	16,425,360	2,942,775	0	135,673	0	19,503,808
Intergovernmental - Federal	1,785	3,995,263	0	0	0	3,997,048
All Other Revenues	93,655	86,980	0	44,061	2,140	226,836
Total Revenues	29,996,368	7,213,266	212,737	182,755	2,140	37,607,266
Expenditures:						
Current:						
Instruction	18,135,254	4,926,239	0	44,782	2,396	23,108,671
Supporting Services:						
Pupils	1,334,325	242,824	0	0	5,309	1,582,458
Instructional Staff	1,017,322	1,063,152	0	9,968	1,307	2,091,749
Board of Education	58,588	0	0	0	0	58,588
Administration	3,028,926	241,847	0	0	0	3,270,773
Fiscal Services	595,481	0	0	0	0	595,481
Operation and Maintenance of Plant	3,202,583	46,196	0	0	0	3,248,779
Pupil Transportation	1,104,382	9,948	0	0	0	1,114,330
Central	473,806	26,887	0	36,000	0	536,693
Community Services	139,241	402,789	0	0	0	542,030
Extracurricular Activities	307,055	236,060	0	0	0	543,115
Other Expenditures	3,541	80,464	0	0	0	84,005
Capital Outlay	166,379	77,395	0	22,437	0	266,211
Debt Service:						
Principal Retirements	0	0	93,000	0	0	93,000
Interest and Fiscal Charges	0	0	18,716	2,404	0	21,120
Total Expenditures	29,566,883	7,353,801	111,716	115,591	9,012	37,157,003
Excess (Deficiency) of Revenues Over (Under) Expenditures	429,485	(140,535)	101,021	67,164	(6,872)	450,263
Other Financing Sources (Uses):						
Other Financing Sources - Capital Lease	71,518	0	0	0	0	71,518
Proceeds from Sale of Fixed Assets	620	0	0	0	1,800	2,420
Refund of Prior Year's Expenditures	31,912	0	0	0	0	31,912
Operating Transfers In	0	30,000	0	0	0	30,000
Operating Transfers Out	(30,000)	0	0	0	0	(30,000)
Total Other Financing Sources (Uses)	74,050	30,000	0	0	1,800	105,850
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	503,535	(110,535)	101,021	67,164	(5,072)	556,113
Fund Balance Beginning of Year	333,784	1,040,232	0	128,547	12,446	1,515,009
Fund Balance End of Year	<u>\$837,319</u>	<u>\$929,697</u>	<u>\$101,021</u>	<u>\$195,711</u>	<u>\$7,374</u>	<u>\$2,071,122</u>

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

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

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$9,164,404	\$10,250,137	\$1,085,733	\$0	\$0	\$0
Tuition	645,000	666,115	21,115	0	0	0
Investment Earnings	400,000	179,833	(220,167)	41	469	428
Extracurricular Activities	0	0	0	222,400	187,779	(34,621)
Class Material and Fees	25,000	23,289	(1,711)	0	0	0
Intermediate Sources	4,000	17,438	13,438	0	0	0
Intergovernmental - State	16,637,718	16,431,100	(206,618)	2,890,854	2,847,604	(43,250)
Intergovernmental - Federal	950	1,400	450	4,500,734	3,476,145	(1,024,589)
All Other Revenues	50,500	57,501	7,001	132,850	86,880	(45,970)
Total Revenues	26,927,572	27,626,813	699,241	7,746,879	6,598,877	(1,148,002)
Expenditures:						
Current:						
Instruction	17,834,213	17,959,010	(124,797)	6,253,872	5,145,597	1,108,275
Supporting Services:						
Pupils	1,292,245	1,332,711	(40,466)	285,975	226,543	59,432
Instructional Staff	998,690	999,536	(846)	1,244,771	1,072,428	172,343
Board of Education	74,103	81,708	(7,605)	0	0	0
Administration	3,061,811	3,080,819	(19,008)	294,977	246,132	48,845
Fiscal Services	597,265	577,974	19,291	24,000	0	24,000
Operation and Maintenance of Plant	3,224,245	3,054,345	169,900	55,110	44,104	11,006
Pupil Transportation	1,172,073	1,100,974	71,099	21,679	10,603	11,076
Central	563,666	507,871	55,795	61,479	26,887	34,592
Community Services	138,003	134,028	3,975	647,376	441,552	205,824
Extracurricular Activities	316,410	306,263	10,147	363,907	267,575	96,332
Other Expenditures	3,500	3,541	(41)	96,300	99,924	(3,624)
Capital Outlay	239,520	102,005	137,515	88,103	77,395	10,708
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	29,515,744	29,240,785	274,959	9,437,549	7,658,740	1,778,809
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,588,172)	(1,613,972)	974,200	(1,690,670)	(1,059,863)	630,807
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	1,000	620	(380)	0	0	0
Refund of Prior Year's Expenditures	55,000	31,912	(23,088)	0	0	0
Operating Transfers In	0	0	0	45,000	30,000	(15,000)
Operating Transfers Out	(37,921)	(30,000)	7,921	0	0	0
Advances In	40,000	40,000	0	0	0	0
Advances Out	0	(4,302)	(4,302)	0	0	0
Total Other Financing Sources (Uses)	58,079	38,230	(19,849)	45,000	30,000	(15,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,530,093)	(1,575,742)	954,351	(1,645,670)	(1,029,863)	615,807
Fund Balance at Beginning of Year	3,398,379	3,398,379	0	1,465,464	1,465,464	0
Prior Year Encumbrances	564,225	564,225	0	362,069	362,069	0
Fund Balance at End of Year	\$1,432,511	\$2,386,862	\$954,351	\$181,863	\$797,670	\$615,807

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

(Continued)

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

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$111,716	\$111,716	\$0	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Investment Earnings	0	0	0	0	3,021	3,021
Extracurricular Activities	0	0	0	0	0	0
Class Material and Fees	0	0	0	0	0	0
Intermediate Sources	0	0	0	0	0	0
Intergovernmental - State	0	0	0	135,600	135,673	73
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	0	0	0	34,500	44,061	9,561
Total Revenues	111,716	111,716	0	170,100	182,755	12,655
Expenditures:						
Current:						
Instruction	0	0	0	249,008	47,930	201,078
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	10,000	9,913	87
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	36,000	36,000	0
Community Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	46,066	28,945	17,121
Debt Service:						
Principal Retirement	93,000	93,000	0	0	0	0
Interest and Fiscal Charges	18,716	18,716	0	0	0	0
Total Expenditures	111,716	111,716	0	341,074	122,788	218,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	(170,974)	59,967	230,941
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	0	15,000,000	15,000,000
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year's Expenditures	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	15,000,000	15,000,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(170,974)	15,059,967	15,230,941
Fund Balance at Beginning of Year	0	0	0	175,637	175,637	0
Prior Year Encumbrances	0	0	0	9,242	9,242	0
Fund Balance at End of Year	\$0	\$0	\$0	\$13,905	\$15,244,846	\$15,230,941

(Continued)

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

	<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local Sources:			
Taxes	\$9,276,120	\$10,361,853	\$1,085,733
Tuition	645,000	666,115	21,115
Investment Earnings	400,041	183,323	(216,718)
Extracurricular Activities	222,400	187,779	(34,621)
Class Material and Fees	25,000	23,289	(1,711)
Intermediate Sources	4,000	17,438	13,438
Intergovernmental - State	19,664,172	19,414,377	(249,795)
Intergovernmental - Federal	4,501,684	3,477,545	(1,024,139)
All Other Revenues	217,850	188,442	(29,408)
Total Revenues	34,956,267	34,520,161	(436,106)
Expenditures:			
Current:			
Instruction	24,337,093	23,152,537	1,184,556
Supporting Services:			
Pupils	1,578,220	1,559,254	18,966
Instructional Staff	2,253,461	2,081,877	171,584
Board of Education	74,103	81,708	(7,605)
Administration	3,356,788	3,326,951	29,837
Fiscal Services	621,265	577,974	43,291
Operation and Maintenance of Plant	3,279,355	3,098,449	180,906
Pupil Transportation	1,193,752	1,111,577	82,175
Central	661,145	570,758	90,387
Community Services	785,379	575,580	209,799
Extracurricular Activities	680,317	573,838	106,479
Other Expenditures	99,800	103,465	(3,665)
Capital Outlay	373,689	208,345	165,344
Debt Service:			
Principal Retirement	93,000	93,000	0
Interest and Fiscal Charges	18,716	18,716	0
Total Expenditures	39,406,083	37,134,029	2,272,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,449,816)	(2,613,868)	1,835,948
Other Financing Sources (Uses):			
Proceeds from General Obligation Notes	0	15,000,000	15,000,000
Proceeds from Sale of Fixed Assets	1,000	620	(380)
Refund of Prior Year's Expenditures	55,000	31,912	(23,088)
Operating Transfers In	45,000	30,000	(15,000)
Operating Transfers Out	(37,921)	(30,000)	7,921
Advances In	40,000	40,000	0
Advances Out	0	(4,302)	(4,302)
Total Other Financing Sources (Uses)	103,079	15,068,230	14,965,151
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,346,737)	12,454,362	16,801,099
Fund Balance at Beginning of Year	5,039,480	5,039,480	0
Prior Year Encumbrances	935,536	935,536	0
Fund Balance at End of Year	\$1,628,279	\$18,429,378	\$16,801,099

ZANESVILLE CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Proprietary Fund Types</i>		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	
<u>Operating Revenues:</u>			
Tuition and Fees	\$164,635	\$20,388	\$185,023
Sales	608,983	0	608,983
Total Operating Revenues	773,618	20,388	794,006
<u>Operating Expenses:</u>			
Salaries and Wages	780,715	77,466	858,181
Fringe Benefits	344,794	31,561	376,355
Contractual Services	30,356	49,829	80,185
Materials and Supplies	757,674	83,328	841,002
Depreciation	888	0	888
Total Operating Expenses	1,914,427	242,184	2,156,611
Operating Loss	(1,140,809)	(221,796)	(1,362,605)
<u>Non-Operating Revenues:</u>			
Operating Grants	996,512	299,555	1,296,067
Federally Donated Commodities	114,505	0	114,505
Investment Earnings	767	0	767
Miscellaneous	2,158	3,021	5,179
Total Non-Operating Revenues	1,113,942	302,576	1,416,518
Net Income (Loss)	(26,867)	80,780	53,913
Retained Earnings at Beginning of Year	160,831	109,208	270,039
Retained Earnings at End of Year	\$133,964	\$189,988	\$323,952

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

ZANESVILLE CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Proprietary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>	<i>Fund Types</i>	
	Enterprise Funds	Internal Service Fund	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$610,737	\$3,021	\$613,758
Cash Received from Tuition and Fee Payments	164,661	20,388	185,049
Cash Payments for Goods and Services	(676,873)	(135,472)	(812,345)
Cash Payments to Employees for Services and Benefits	(1,096,892)	(96,922)	(1,193,814)
Net Cash Used for Operating Activities	<u>(998,367)</u>	<u>(208,985)</u>	<u>(1,207,352)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	863,872	299,555	1,163,427
Advance In	4,302	0	4,302
Net Cash Provided by Noncapital Financing Activities	<u>868,174</u>	<u>299,555</u>	<u>1,167,729</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Equipment	(872)	0	(872)
Net Cash Used for Capital and Related Financing Activities	<u>(872)</u>	<u>0</u>	<u>(872)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	767	0	767
Net Cash Provided by Investing Activities	<u>767</u>	<u>0</u>	<u>767</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(130,298)	90,570	(39,728)
Cash and Cash Equivalents at Beginning of Year	460,578	146,860	607,438
Cash and Cash Equivalents at End of Year	<u>\$330,280</u>	<u>\$237,430</u>	<u>\$567,710</u>
<u>Reconciliation of Operating Loss to Net Cash</u>			
<u>Used for Operating Activities:</u>			
Operating Loss	(\$1,140,809)	(\$221,796)	(\$1,362,605)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Miscellaneous Non-operating Income	2,158	3,021	5,179
Depreciation Expense	888	0	888
Donated Commodities Used During the Year	114,505	0	114,505
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(378)	0	(378)
Decrease in Inventory	606	0	606
Decrease in Accounts Payable	(2,302)	(2,315)	(4,617)
Increase in Accrued Wages and Benefits	18,912	6,357	25,269
Increase in Intergovernmental Payables	7,458	5,748	13,206
Decrease in Deferred Revenue	(1,652)	0	(1,652)
Increase in Compensated Absences	2,247	0	2,247
Total Adjustments	<u>142,442</u>	<u>12,811</u>	<u>155,253</u>
Net Cash Used for Operating Activities	<u>(\$998,367)</u>	<u>(\$208,985)</u>	<u>(\$1,207,352)</u>

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

ZANESVILLE CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 216 classified and approximately 420 certified teaching personnel and administrative employees providing education to 4,006 students.

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

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

B. Basis of Presentation - Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

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

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

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

C. Basis of Accounting

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

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. The accrual basis of accounting is followed by the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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

Property taxes measurable as of June 30, 2002, of which are not intended to finance fiscal year 2002 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

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

D. Budgetary Process

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

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

1. Tax Budget

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

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

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$503,535	(\$110,535)	\$101,021	\$67,164
Increase (Decrease):				
Accrued Revenues at June 30, 2002, received during FY 2003	(2,448,343)	(839,425)	(101,021)	0
Accrued Revenues at June 30, 2001, received during FY 2002	114,486	225,036	0	0
Accrued Expenditures at June 30, 2002, paid during FY 2003	4,418,939	1,150,385	0	56,032
Accrued Expenditures at June 30, 2001, paid during FY 2002	(3,815,278)	(1,013,121)	0	(56,332)
FY 2001 Prepays for FY 2002	71,972	784	0	0
FY 2002 Prepays for FY 2003	(40,878)	(772)	0	0
Note Proceeds	0	0	0	15,000,000
Encumbrances Outstanding at June 30, 2002	(380,175)	(442,215)	0	(6,897)
Budget Basis	<u>(\$1,575,742)</u>	<u>(\$1,029,863)</u>	<u>\$0</u>	<u>\$15,059,967</u>

E. Cash and Cash Equivalents

During fiscal year 2002, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents (Continued)

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 3, "Cash, Cash Equivalents and Investments."

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 3, "Cash, Cash Equivalents and Investments."

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2002. 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.

G. Inventory

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

H. Fixed Assets and Depreciation

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

1. Property, Plant and Equipment - General Governmental Purposes

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Fund

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

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

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

I. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	Bond Retirement Fund
Capital Leases	General Fund
Intergovernmental Payable	General Fund, Public School Support Fund, District Managed Student Activity Fund, Auxiliary Services Fund, Disadvantaged Pupil Impact Aid Fund, Summer School Subsidy Fund, Extended Learning Opportunity Fund, Education For Economic Security Act Fund, Title VI-B Fund, Title I Fund, Title IV-R Fund, Miscellaneous Federal Grants Fund
Compensated Absences	General Fund, Title I Fund, Food Services Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method. Employees may earn 15 days of sick leave per year up to a maximum of 250 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of between 63 and 66 days depending upon their job classification. In addition, teachers may earn an additional day of sick leave compensation for each year that they served with perfect attendance. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

K. Pensions

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

L. Interfund Transactions

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Restricted Assets

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

N. Reservations of Fund Balance

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

O. Total Columns on Combined Financial Statements

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficits at June 30, 2002 of \$34,576 in the Disadvantaged Pupil Impact Aid Fund, \$381 in the Title VI-B Fund, \$2,613 in the Title VI Fund, \$14,048 in the Title IV-R Fund (special revenue funds), and of \$50,000 in the Emergency Building Repair Fund (capital projects fund) arose from the recognition of expenditures under the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis of accounting. Deficits did not exist under the budgetary basis. The fund deficit of \$2,655 in the Building Fund (capital projects fund) arose from the recognition of general obligation notes payable under the modified accrual basis. Under the budgetary basis, proceeds from the sale of note are recognized as revenue and expenditures are recognized when paid, therefore, a deficit did not exist under the budgetary basis. The fund deficits at June 30, 2002 of \$2,352 in the Uniform School Supply Fund and \$6,563 in the Latchkey Fund (enterprise funds) arose from the recognition of expenses on the accrual basis, which are greater than expenses recognized under the cash basis. Deficits did not exist under the cash basis of accounting.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures over Appropriations

For the year ended June 30, 2002, expenditures exceeded appropriations at the fund level in the following funds:

Fund	Excess
Management Information System Fund	4,751
Comprehensive Reform Fund	7,000
School Store Fund	2,645

The excess expenditures were funded from available fund balance.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

Deposits:

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

Investments:

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

A. Deposits

At year end the carrying amount of the District's deposits was \$487,835 and the bank balance was an overdraft of \$839,737. Of the bank balance, \$100,000 was insured by the Federal Deposit Insurance Corporation (FDIC). In accordance with Ohio Revised Code, the remaining balance was covered by pooled collateral.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The District's investments at June 30, 2002 were as follows:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	Carrying Amount/ <u>Fair Value</u>
Repurchase Agreement	\$1,876,817	N/A	\$1,876,817
 <u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	13,752,613
Money Market Mutual Funds	N/A	N/A	3,756,337
Total Non-Categorized	N/A	N/A	17,508,950
Total Investments	<u>\$1,876,817</u>	<u>\$0</u>	<u>\$19,385,767</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$19,373,602	\$500,000
Certificates of Deposits (with maturities of more than three months)	500,000	(500,000)
Investments:		
Repurchase Agreement	(1,876,817)	1,876,817
STAR Ohio	(13,752,613)	13,752,613
Money Market Mutual Funds	(3,756,337)	3,756,337
Per GASB Statement No. 3	<u>\$487,835</u>	<u>\$19,385,767</u>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2001. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

NOTE 4 - PROPERTY TAXES (Continued)

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Zanesville City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2002, upon which the 2001 levies were based, were as follows:

	2001 Second Half Collections	2002 First Half Collections
Agricultural/Residential and Other Real Estate	\$303,127,490	\$304,187,850
Public Utility Personal	22,596,660	16,379,990
Tangible Personal Property	56,710,235	57,679,930
Total Assessed Value	<u>\$382,434,385</u>	<u>\$378,247,770</u>
Tax rate per \$1,000 of assessed valuation	\$43.70	\$43.90

NOTE 5 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 6 - INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2002, are as follows:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$22,302	\$0
Capital Project Fund:		
Emergency Building Repair Fund	0	15,000
Enterprise Fund:		
Uniform School Supply Fund	0	4,302
Internal Service Fund:		
Rotary Fund	0	3,000
Totals	<u>\$22,302</u>	<u>\$22,302</u>
	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$35,000	\$0
Capital Project Fund:		
Emergency Building Repair Fund	0	35,000
Totals	<u>\$35,000</u>	<u>\$35,000</u>

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 2002:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$30,000
Special Revenue Fund:		
District Managed Student Activity Fund	30,000	0
Total All Funds	<u>\$30,000</u>	<u>\$30,000</u>

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets at June 30, 2002:

<u>Class</u>	<u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2002</u>
Land	\$761,515	\$0	\$0	\$761,515
Buildings	15,348,132	29,210	0	15,377,342
Machinery and Equipment	2,853,602	569,046	(21,364)	3,401,284
Vehicles	1,199,588	159,576	0	1,359,164
Totals	<u>\$20,162,837</u>	<u>\$757,832</u>	<u>(\$21,364)</u>	<u>\$20,899,305</u>

B. Proprietary Fixed Assets

Summary by Category at June 30, 2002:

<u>Category</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Machinery and Equipment	\$130,506	(\$119,949)	\$10,557
Total Property, Plant and Equipment	<u>\$130,506</u>	<u>(\$119,949)</u>	<u>\$10,557</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

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

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, (latest information available) 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$706,093, \$683,448, and \$630,432, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2001 employer contribution rate (latest information available) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$494,265.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment of benefits at June 30, 2001 was \$315.7 million.

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

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, (latest information available) 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$2,425,900, \$2,439,720, and \$2,219,304, respectively, which were equal to the required contributions for each year.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, (latest information available) the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$779,754 for the District. The balance of the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, the net health care costs paid by STRS were \$369,354,000. There were 102,132 eligible benefit recipients.

NOTE 10 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2002, was as follows:

	Balance			Balance
	June 30, 2001	Additions	Deletions	June 30, 2002
1.95% School Improvement	\$0	\$15,000,000	\$0	\$15,000,000
Totals	<u>\$0</u>	<u>\$15,000,000</u>	<u>\$0</u>	<u>\$15,000,000</u>

NOTE 11 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2002, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	Sick Leave	Vacation	Total
Liability	\$3,645,144	\$176,673	\$3,821,817

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

NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bond, intergovernmental payable, capital lease and compensated absences of the District for the year ended June 30, 2002 is as follows:

		Balance June 30, 2001	Issued (Retired)	Balance June 30, 2002
General Long-Term Debt:				
(General Obligation Bond)				
Energy Conservation Bond	5.750%	\$372,000	(\$93,000)	\$279,000
Total General Long-Term Debt		372,000	(93,000)	279,000
Other General Long-Term Obligations:				
Intergovernmental Payable		208,935	(3,539)	205,396
Capital Leases Payable		4,933	71,518	
			(51,190)	25,261
Compensated Absences		3,668,772	153,045	3,821,817
Total Other General Long-Term Obligations		3,882,640	169,834	4,052,474
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$4,254,640</u>	<u>\$76,834</u>	<u>\$4,331,474</u>

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2002, follows:

Years	General Obligation Bond		
	Principal	Interest	Total
2003	\$93,000	\$13,369	\$106,369
2004	\$93,000	\$8,021	\$101,021
2005	93,000	2,674	95,674
Totals	<u>\$279,000</u>	<u>\$24,064</u>	<u>\$303,064</u>

NOTE 13 - CAPITAL LEASE COMMITMENTS

Under capital lease the District leases routers. The cost of the improvements and equipment obtained under capital lease is included in the General Fixed Assets Account Group and the related liability is included in the General Long-Term Obligations Account Group. The original cost of the assets acquired under capital lease was \$71,518.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2002:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2003	\$13,012
2004	13,012
2005	<u>1,084</u>
Minimum Lease Payments	27,108
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(1,847)</u>
Present value of minimum lease payments	<u><u>\$25,261</u></u>

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales, and a Latchkey program. The key financial information for the year ended June 30, 2002 for these enterprise activities is as follows:

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Latchkey Fund</u>	<u>Total</u>
Operating Revenues	\$608,983	\$11,717	\$152,918	\$773,618
Depreciation Expense	888	0	0	888
Operating Loss	(1,120,150)	(6,528)	(14,131)	(1,140,809)
Net Loss	(8,366)	(6,528)	(11,973)	(26,867)
Operating Grants	996,512	0	0	996,512
Property, Plant and Equipment:				
Additions	872	0	0	872
Total Assets	461,544	1,950	27,512	491,006
Net Working Capital	217,245	(2,352)	(6,563)	208,330
Total Equity (Deficit)	142,879	(2,352)	(6,563)	133,964

NOTE 15 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2001	\$0	\$0	\$765,592	\$765,592
Current Year Set-Aside Requirement	563,461	563,461	0	1,126,922
Current Year Offset Credits	0	0	0	0
Qualifying Disbursements	(873,119)	(563,461)	(93,430)	(1,530,010)
Total	<u>(\$309,658)</u>	<u>\$0</u>	<u>\$672,162</u>	<u>\$362,504</u>
Cash Balance Carried Forward to FY 2003	<u>\$0</u>	<u>\$0</u>	<u>\$672,162</u>	<u>\$672,162</u>
Amount Restricted for Budget Stabilization				<u>672,162</u>
Total Restricted Assets				<u>\$672,162</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2002.

NOTE 16 – CONTINGENCIES (Continued)

C. State School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed, 'the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.' The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 17 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2002 the District contracted with several different insurance providers for various insurance coverages, as follows:

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

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

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

NOTE 18 – SUBSEQUENT EVENT

In July of 2002, Anthem Blue Cross and Blue Shield Insurance Company completed plans to convert from a private mutual insurance company to a publicly traded insurance company (a process know as “demutualization”). As a result of this demutualization, the District received shares of Anthem’s new publicly traded common stock in exchange for its membership interest in the former mutual insurance company. However, because the Ohio Constitution prohibits public bodies from being stockholders in public corporations, the Auditor of State has recommended that each public body receiving stock should sell the stock at a reasonably prompt and beneficial time at the discretion of the public body. In September of 2002, the District sold 19,000 shares of its Anthem Incorporated stock for \$1,297,656. After the transaction, the District held 22,725 shares of Anthem Incorporated stock.

ZANESVILLE CITY SCHOOL DISTRICT, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
<u>District Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$714	\$1,873	(\$1,772)	\$815
Total Assets	<u>\$714</u>	<u>\$1,873</u>	<u>(\$1,772)</u>	<u>\$815</u>
Liabilities:				
Due to Others	\$714	\$1,873	(\$1,772)	\$815
Total Liabilities	<u>\$714</u>	<u>\$1,873</u>	<u>(\$1,772)</u>	<u>\$815</u>
<u>Student Managed Activity Fund</u>				
Assets:				
Cash and Cash Equivalents	\$37,077	\$63,910	(\$62,153)	\$38,834
Total Assets	<u>\$37,077</u>	<u>\$63,910</u>	<u>(\$62,153)</u>	<u>\$38,834</u>
Liabilities:				
Accounts Payable	\$0	\$124	\$0	\$124
Due to Students	37,077	63,786	(62,153)	38,710
Total Liabilities	<u>\$37,077</u>	<u>\$63,910</u>	<u>(\$62,153)</u>	<u>\$38,834</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$37,791	\$65,783	(\$63,925)	\$39,649
Total Assets	<u>\$37,791</u>	<u>\$65,783</u>	<u>(\$63,925)</u>	<u>\$39,649</u>
Liabilities:				
Accounts Payable	\$0	\$124	\$0	\$124
Due to Students	37,077	63,786	(62,153)	38,710
Due to Others	714	1,873	(1,772)	815
Total Liabilities	<u>\$37,791</u>	<u>\$65,783</u>	<u>(\$63,925)</u>	<u>\$39,649</u>

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE:						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	373,394	-	373,394	-
National School Lunch	n/a	10.555	625,708	-	625,708	-
Food Distribution Program	n/a	10.550	-	114,505	-	114,505
Total Nutrition Cluster			999,102	114,505	999,102	114,505
Total U.S. Department of Agriculture			999,102	114,505	999,102	114,505
U.S. DEPARTMENT OF EDUCATION:						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	045179C1S101 045179C1S101C 045179C1S102	84.010	147,216 183,935 1,268,502 1,599,653	- - - -	360,847 183,935 1,288,103 1,832,885	- - - -
Title VI-B Special Education Assistance for Handicapped Children	0451796BSF01P 0451796BSF02	84.027	43,852 548,873 592,725	- - -	84,749 468,253 553,002	- - -
Drug Free Schools	045179DRS102 045179DRS101	84.186	44,225 5,684 49,909	- - -	44,225 7,191 51,416	- - -
Even Start - State Educational Agencies	045179EVS301 045179EVS302	84.213	38,918 127,409 166,327	- - -	50,147 133,509 183,656	- - -
Goals 2000	045179G2S201 051518C2SS02	84.276	- - -	- - -	17,953 11,813 29,766	- - -
Eisenhower Professional Dev. Grant	045179MSS101 045179MSS102	84.281	20,923 18,366 39,289	- - -	25,967 169 26,136	- - -
Innovative Education Program Strategies	045179C2S101 045179C2S102	84.298	- 31,586 31,586	- - -	152 27,238 27,390	- - -
Comprehensive School Reform	045719RFS100 045719RFS100	84.332	- 46,050 46,050	- - -	50,180 28,778 78,958	- - -
Reading Excellence	045719SFY2001 045719SFY2002	84.338	485,470 - 485,470	- - -	593,052 93,508 686,560	- - -
Title VI-R Class Size Reduction	045719CRSI2002 045719CRSI2001	84.340	207,355 180,687 388,042	- - -	177,818 185,441 363,259	- - -
Title 1 School Improvement	045179AKS102	84.348	77,094 77,094	- -	42,857 42,857	- -
Total U.S. Department of Education			3,476,145	-	3,875,885	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Pass through Ohio Office of Criminal Justice Services						
Medical Assistance - CAFS		93.778	150,704	-	150,704	-
Total U.S. Department of Health and Human Services			150,704	-	150,704	-
Total Federal Awards Expenditures			4,625,951	114,505	5,025,691	114,505

See notes to Schedule of Federal Awards Expenditures.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – Significant Account Policies

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

NOTE B – Food Distribution

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

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

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

Board of Education
Zanesville City School District
Zanesville, Ohio 43701

We have audited the general-purpose financial statements of Zanesville City School District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Zanesville City School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Zanesville City School District in a separate letter dated December 13, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Zanesville City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management in a separate letter dated December 13, 2002.

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 13, 2002

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

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

Board of Education
Zanesville City School District
Zanesville, Ohio 43701

Compliance

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

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

In our opinion, the Zanesville City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 13, 2002

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY
JUNE 30, 2002**

1. AUDITOR’S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs’ Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	Title VI-R, CFDA #84.340 Nutrition Cluster CFDA#10.550-555 Title 1, CFDA#84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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



**Auditor of State
Betty Montgomery**

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ZANESVILLE CITY SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**