

**EAST HOLMES LOCAL SCHOOL DISTRICT  
HOLMES COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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## REPORT OF INDEPENDENT ACCOUNTANTS

East Holmes Local School District  
Holmes County  
P.O. Box 182, CR 77  
Berlin, Ohio 44610

To the Board of Education:

We have audited the accompanying general purpose financial statements of East Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 1999, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

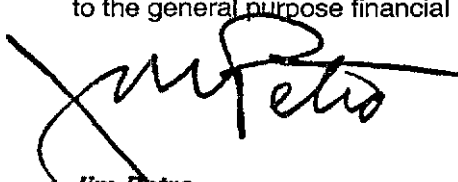
In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of East Holmes Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 4 to the general purpose financial statements, the District changed its method of accounting and reporting for its deferred compensation plan for the year ended June 30, 1999, as required by Governmental Accounting Standards Board Statement No. 32.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2000 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.

East Holmes Local School District  
Holmes County  
Report of Independent Accountants  
Page 2

The accompanying Schedule of Federal Awards Receipts and 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. 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 stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



**Jim Petro**  
Auditor of State

January 4, 2000

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EAST HOLMES LOCAL SCHOOL DISTRICT

Combined Balance Sheet  
All Fund Types and Account Groups

June 30, 1999

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,214,472	\$ 255,035	\$ 362,948	\$ 293,539
Cash and Cash Equivalents:				
With Fiscal Agents	0	0	0	0
Receivables:				
Taxes	5,740,103	0	262,325	176,218
Accounts	1,859	0	0	0
Accrued Interest	5,037	0	0	0
Intergovernmental Receivable	6,829	0	0	0
Prepaid Items	9,814	0	0	0
Materials and Supplies Inventory	45,734	0	0	0
Restricted Assets				
Equity in Pooled Cash	48,817	0	0	0
Fixed Assets (Net)	0	0	0	0
<b>Total Assets</b>	<b>8,072,665</b>	<b>255,035</b>	<b>625,273</b>	<b>469,757</b>
<b>Other Debits</b>				
Amount Available In Debt Service	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Other Debits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Assets and Other Debits</b>	<b>\$ 8,072,665</b>	<b>\$ 255,035</b>	<b>\$ 625,273</b>	<b>\$ 469,757</b>
<b>Liabilities</b>				
Accounts Payable	\$ 75,852	\$ 4,580	\$ 0	\$ 0
Accrued Wages and Benefits	653,586	117,029	0	0
Compensated Absences Payable	11,586	0	0	0
Intergovernmental Payable	170,329	3,201	0	0
Deferred Revenue	5,449,448	0	249,028	167,301
Undistributed Monies	0	0	0	0
Bonds Payable	0	0	0	0
Claims Payable	0	0	0	0
Notes Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
<b>Total Liabilities</b>	<b>6,360,801</b>	<b>124,810</b>	<b>249,028</b>	<b>167,301</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	339,150	47,953	0	8,841
Reserved for Inventory	45,734	0	0	0
Reserved for Budgetary Stabilization	48,817	0	0	0
Reserved for Debt Services:				
Principal	0	0	362,948	0
Reserved for Tax Advances not Available for Appropriations	290,655	0	13,297	8,917
Unreserved:				
Undesignated	987,508	82,272	0	284,698
<b>Total Fund Equity and Other Credits</b>	<b>1,711,864</b>	<b>130,225</b>	<b>376,245</b>	<b>302,456</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 8,072,665</b>	<b>\$ 255,035</b>	<b>\$ 625,273</b>	<b>\$ 469,757</b>

See accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types		Fiduciary Fund Types				
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)	
\$ 94,829	\$ 0	\$ 44,932	\$ 0	\$ 0	\$ 3,265,755	
0	764,125	0	0	0	764,125	
0	0	0	0	0	6,178,646	
0	0	0	0	0	1,859	
0	0	0	0	0	5,037	
20,510	0	0	0	0	27,339	
0	0	0	0	0	9,814	
					0	
19,598	0	0	0	0	65,332	
0	0	0	0	0	48,817	
98,863	0	0	13,152,558	0	13,251,421	
<u>233,800</u>	<u>764,125</u>	<u>44,932</u>	<u>13,152,558</u>	<u>0</u>	<u>23,618,145</u>	
0	0	0	0	376,245	376,245	
0	0	0	0	2,349,818	2,349,818	
0	0	0	0	2,726,063	2,726,063	
<u>\$ 233,800</u>	<u>\$ 764,125</u>	<u>\$ 44,932</u>	<u>\$ 13,152,558</u>	<u>\$ 2,726,063</u>	<u>\$ 26,344,208</u>	
\$ 2,903	\$ 0	\$ 420	\$ 0	\$ 0	\$ 83,755	
24,012	0	0	0	0	794,627	
12,860	0	0	0	709,155	733,601	
14,555	0	0	0	78,966	267,051	
17,457	0	0	0	0	5,883,234	
0	0	26,461	0	0	26,461	
0	0	0	0	1,750,000	1,750,000	
0	28,830	0	0	0	28,830	
0	0	0	0	174,000	174,000	
0	0	0	0	13,942	13,942	
<u>71,787</u>	<u>28,830</u>	<u>26,881</u>	<u>0</u>	<u>2,726,063</u>	<u>9,755,501</u>	
0	0	0	13,152,558	0	13,152,558	
162,013	735,295	0	0	0	897,308	
0	0	1,114	0	0	397,058	
0	0	0	0	0	45,734	
0	0	0	0	0	48,817	
0	0	0	0	0	362,948	
0	0	0	0	0	312,869	
0	0	16,937	0	0	1,371,415	
<u>162,013</u>	<u>735,295</u>	<u>18,051</u>	<u>13,152,558</u>	<u>0</u>	<u>16,588,707</u>	
<u>\$ 233,800</u>	<u>\$ 764,125</u>	<u>\$ 44,932</u>	<u>\$ 13,152,558</u>	<u>\$ 2,726,063</u>	<u>\$ 26,344,208</u>	

See accompanying Notes to the General Purpose Financial Statements



EAST HOLMES LOCAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances*  
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 1999

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues</b>		
Taxes	\$ 5,467,303	\$ 0
Intergovernmental	3,909,454	1,142,419
Investment Income	211,726	0
Tuition and Fees	5,502	24,126
Extracurricular Activities	0	219,567
Miscellaneous	31,345	19,742
<b>Total Revenues</b>	<b>9,625,330</b>	<b>1,405,854</b>
<b>Expenditures</b>		
Current:		
Instruction		
Regular	4,349,072	19,881
Special	583,635	977,651
Vocational	276,645	0
Other	76,295	0
Support Services:		
Pupils	181,328	198,584
Instructional Staff	367,064	36,103
Board of Education	14,286	0
Administration	834,328	89,344
Fiscal	292,367	5,000
Operation and Maintenance of Plant	915,727	2,304
Pupil Transportation	722,516	2,800
Central	78,097	5,406
Extracurricular Activities	84,380	110,786
Capital Outlay	8,383	0
Debt Service:		
Principal Retirement	0	0
Interest Payment	0	0
<b>Total Expenditures</b>	<b>8,784,123</b>	<b>1,447,859</b>
Excess of Revenues Over (Under) Expenditures	841,207	(42,005)
<b>Other Financing Sources (Uses)</b>		
Proceeds from Sales of Fixed Assets	7,000	0
Other Financing Sources	11,000	0
Other Financing Uses	0	(11,000)
<b>Total Other Financing Sources (Uses)</b>	<b>18,000</b>	<b>(11,000)</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	859,207	(53,005)
Fund Balances at Beginning of Year	852,657	183,230
Fund Balances at End of Year	\$ 1,711,864	\$ 130,225

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Type			
Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
\$ 296,320	\$ 184,058	\$ 0	\$ 5,947,681
26,450	260,499	0	5,338,822
0	0	0	211,726
0	0	0	29,628
0	0	0	219,567
0	0	14,366	65,453
<u>322,770</u>	<u>444,557</u>	<u>14,366</u>	<u>11,812,877</u>
0	86,943	45	4,455,941
0	0	0	1,561,286
0	0	0	276,645
0	0	0	76,295
0	0	0	379,912
0	0	0	403,167
0	0	0	14,286
0	0	0	923,672
7,358	4,586	0	309,311
0	0	0	918,031
0	0	0	725,316
0	0	12,882	96,385
0	0	0	195,166
0	222,308	0	230,691
175,000	0	0	175,000
140,569	0	0	140,569
<u>322,927</u>	<u>313,837</u>	<u>12,927</u>	<u>10,881,673</u>
(157)	130,720	1,439	931,204
0	0	0	7,000
0	0	0	11,000
0	0	0	(11,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>7,000</u>
(157)	130,720	1,439	938,204
376,402	171,736	16,612	1,600,637
<u>\$ 376,245</u>	<u>\$ 302,456</u>	<u>\$ 18,051</u>	<u>\$ 2,538,841</u>

**EAST HOLMES LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
All Governmental Fund Types and Expendable Trust Funds  
(Non-GAAP Budgetary Basis)*

For the Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 5,276,321	\$ 5,285,568	\$ 9,247
Intergovernmental	3,918,701	3,909,454	(9,247)
Investment Income	206,986	206,689	(297)
Tuition and Fees	12,192	12,192	0
Extracurricular Activities	0	0	0
Miscellaneous	19,910	19,910	0
<b>Total Revenues</b>	<b>9,434,110</b>	<b>9,433,813</b>	<b>(297)</b>
<b>Expenditures</b>			
<b>Current</b>			
<b>Instruction</b>			
Regular	4,803,512	4,836,654	266,858
Special	607,612	597,531	10,081
Vocational	259,113	282,631	(23,518)
Other	101,225	76,293	24,930
<b>Support Services</b>			
Pupils	165,432	193,750	(28,318)
Instructional Staff	367,838	371,003	(5,167)
Board of Education	14,450	16,369	(1,919)
Administration	916,577	854,357	62,020
Fiscal	264,525	290,699	(26,474)
Business	300	0	300
Operation and Maintenance of Plant	993,845	959,073	34,772
Pupil Transportation	786,220	774,346	11,374
Central	100	87,653	(87,554)
Extracurricular Activities	87,454	84,396	3,058
Capital Outlay	10,500	8,383	2,117
<b>Debt Service:</b>			
Principal Retirement	0	0	0
Interest Payment	0	0	0
<b>Total Expenditures</b>	<b>9,378,703</b>	<b>9,436,143</b>	<b>242,560</b>
Excess of Revenues Over (Under) Expenditures	55,407	297,670	242,263
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	7,000	7,000	0
Refund of Prior Year Expenditures	3,613	3,613	0
Advances In	1,229	1,229	0
Advances Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>11,842</b>	<b>11,842</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	67,249	309,512	242,263
Fund Balances (Deficit) at Beginning of Year	1,195,148	1,195,148	0
Prior Year Encumbrances Appropriated	349,353	349,353	0
<b>Fund Balances at End of Year</b>	<b>\$ 1,611,750</b>	<b>\$ 1,853,013</b>	<b>\$ 242,263</b>

See Accompanying Notes to the General Purpose Financial Statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	0	\$ 0	\$ 290,300	290,300	\$ 0
1,142,419	1,142,419	0	26,450	26,450	0
0	0	0	0	0	0
24,126	24,126	0	0	0	0
219,567	219,567	0	0	0	0
19,778	19,778	0	0	0	0
1,405,890	1,405,890	0	316,750	316,750	0
50,014	54,970	(4,956)	0	0	0
1,099,807	883,691	115,114	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
211,037	212,143	(1,106)	0	0	0
40,265	35,574	4,591	0	0	0
0	0	0	0	0	0
114,133	93,743	20,390	0	0	0
10,000	5,000	5,000	7,358	7,358	0
0	0	0	0	0	0
2,304	2,304	0	0	0	0
2,800	2,800	0	0	0	0
5,406	5,406	0	0	0	0
107,906	120,500	(12,594)	0	0	0
0	0	0	0	0	0
0	0	0	175,000	175,000	0
0	0	0	140,569	140,569	0
1,643,672	1,317,233	126,439	322,927	322,927	0
(237,782)	(111,343)	126,439	(6,177)	(6,177)	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(1,229)	(1,229)	0	0	0	0
(1,229)	(1,229)	0	0	0	0
(239,011)	(112,572)	126,439	(6,177)	(6,177)	0
218,872	218,872	0	369,125	369,125	0
96,937	96,937	0	0	0	0
\$ 76,798	76,798	\$ 126,439	\$ 362,948	362,948	\$ 0

(Continued)

**EAST HOLMES LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
All Governmental Fund Types and Expendable Trust Funds  
(Non-GAAP Budgetary Basis)*

For the Year Ended June 30, 1999

<b>Capital Projects Funds</b>			
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 178,650	178,650	\$ 0
Intergovernmental	260,499	260,499	0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>439,149</b>	<b>439,149</b>	<b>0</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction			
Regular	309,826	306,943	222,883
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services	0	0	0
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	4,586	4,586	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	221,100	174,129	46,951
Debt Service:			
Principal Retirement	57,000	57,000	0
Interest Payment	0	0	0
<b>Total Expenditures</b>	<b>592,512</b>	<b>422,678</b>	<b>269,834</b>
Excess of Revenues Over (Under) Expenditures	(153,363)	116,471	269,834
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(153,363)	116,471	269,834
Fund Balances (Deficit) at Beginning of Year	55,849	55,849	0
Prior Year Encumbrances Appropriated	112,377	112,377	0
<b>Fund Balances at End of Year</b>	<b>\$ 14,863</b>	<b>\$ 284,697</b>	<b>\$ 269,834</b>

See Accompanying Notes to the General Purpose Financial Statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	0	\$ 0	\$ 5,745,271	5,754,518	\$ 9,247
0	0	0	5,348,069	5,338,822	(9,247)
0	0	0	206,986	206,889	(297)
0	0	0	36,318	36,318	0
0	0	0	219,567	219,567	0
14,366	14,366	0	54,054	54,054	0
14,366	14,366	0	11,610,265	11,609,968	(297)
45	45	0	5,163,397	5,078,612	484,785
0	0	0	1,707,419	1,582,224	125,195
0	0	0	259,113	276,631	(23,518)
0	0	0	101,225	76,793	24,930
0	0	0	376,469	405,893	(29,424)
0	0	0	408,103	408,679	(576)
0	0	0	14,450	16,369	(1,919)
0	0	0	1,030,710	948,300	82,410
0	0	0	286,469	307,943	(21,474)
0	0	0	300	0	300
0	0	0	996,149	961,377	34,772
0	0	0	789,020	777,646	11,374
14,045	14,045	0	19,551	107,105	(87,554)
0	0	0	195,360	203,886	(9,536)
0	0	0	231,600	182,532	49,068
0	0	0	232,000	232,000	0
0	0	0	140,569	140,569	0
14,090	14,090	0	11,951,904	11,313,071	638,833
276	276	0	(341,639)	295,897	638,536
0	0	0	7,000	7,000	0
0	0	0	3,613	3,613	0
0	0	0	1,229	1,229	0
0	0	0	(1,229)	(1,229)	0
0	0	0	10,613	10,613	0
276	276	0	(331,026)	307,510	638,536
16,193	16,193	0	1,855,187	1,855,187	0
566	566	0	559,233	559,233	0
\$ 17,035	17,035	\$ 0	\$2,083,394	\$2,721,930	\$ 638,536

EAST HOLMES LOCAL SCHOOL DISTRICT

*Combined Statement of Revenues,  
Expenses, and Changes in Retained Earnings  
All Proprietary Fund Types*

For the Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Operating Revenues</u></b>			
Charges for Services	271,572	0	271,572
Investment Income	1,258	0	1,258
Other Operating Revenues	6,326	753,653	759,979
<b>Total Operating Revenues</b>	<b>279,156</b>	<b>753,653</b>	<b>1,032,809</b>
<b><u>Operating Expenses</u></b>			
Salaries	167,553	0	167,553
Fringe Benefits	71,773	472,321	544,094
Purchased Services	22,189	77,253	99,442
Materials and Supplies	239,782	0	239,782
Depreciation	9,275	0	9,275
Other Operating Expenses	1,736	0	1,736
<b>Total Operating Expenses</b>	<b>512,308</b>	<b>549,574</b>	<b>1,061,882</b>
Operating Income (Loss)	(233,152)	204,079	(29,073)
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Operating Grants	137,770	0	137,770
Federal Donated Commodities	70,907	0	70,907
<b>Total Non-Operating Revenues (Expenses)</b>	<b>208,677</b>	<b>0</b>	<b>208,677</b>
Income (Loss)	(24,475)	204,079	179,604
Retained Earnings at Beginning of Year	186,488	531,216	717,704
<b>Total Retained Earnings at End of Year</b>	<b>\$ 162,013</b>	<b>\$ 735,295</b>	<b>\$ 897,308</b>

**EAST HOLMES LOCAL SCHOOL DISTRICT**

*Combined Statement of Cash Flows*  
**All Proprietary Fund Types**

For the Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Cash Flows From Operating Activities</u></b>			
Cash Received from Customers	\$ 279,156	\$ 0	\$ 279,156
Cash Received from Quasi-External Transactions with Other Funds	0	753,653	753,653
Cash Paid for Goods and Services	(184,479)	(77,253)	(261,732)
Cash Paid to Employees	(229,177)		(229,177)
Cash Paid for Claims	0	(482,347)	(482,347)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>(134,500)</b>	<b>194,053</b>	<b>59,553</b>
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>			
Grants	117,260	0	117,260
<b>Net Cash Provided By Non-Capital Activities</b>	<b>117,260</b>	<b>0</b>	<b>117,260</b>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>			
Cash Paid for the Purchase of Equipment	(7,182)	0	(7,182)
<b>Net Cash (Used For) Capital Activities</b>	<b>(7,182)</b>	<b>0</b>	<b>(7,182)</b>
Net Increase in Cash and Cash Equivalents	(24,422)	194,053	169,631
Cash and Cash Equivalents at Beginning of Year	119,251	570,072	689,323
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 94,829</b>	<b>\$ 764,125</b>	<b>\$ 858,954</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</u></b>			
Operating Income (Loss)	\$ (233,152)	\$ 204,079	\$ (29,073)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>			
Depreciation	9,275	0	9,275
Federal Donated Commodities	70,907	0	70,907
(Increase) in Inventory	(6,145)	0	(6,145)
Increase in Accounts Payable	2,865	0	2,865
Increase in Accrued Wages and Benefits	927	0	927
Increase in Compensated Absences Payable	12,698	0	12,698
Increase in Intergovernmental Payables	1,297	0	1,297
Increase in Deferred Revenue	6,828	0	6,828
Increase (Decrease) in Claims Payable	0	(10,026)	(10,026)
<b>Total Adjustments</b>	<b>98,652</b>	<b>(10,026)</b>	<b>88,626</b>
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>\$ (134,500)</b>	<b>\$ 194,053</b>	<b>\$ 59,553</b>

See accompanying Notes to the General Purpose Financial Statements.



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EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The East Holmes 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 is a Local District as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998 was 1,895. The District employed 154 certificated employees and 84 non-certificated employees.

The reporting entity is composed 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.

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 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 District is involved with Tri-County Computer Service Association (TCCSA) and Buckeye Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 20.

Management believes the financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately sixty days. Generally, property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

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 expenditure for specified purposes.

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

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

EAST HOLMES LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the board of education has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations. Proprietary funds include the following fund types:

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

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to governmental units, on a cost-reimbursement basis.

Fiduciary Fund Types

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

The Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

EAST HOLMES LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Account Groups

The District maintains two account groups as described below:

The General Fixed Assets Account Group is used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary funds.

The General Long-term Obligations Account Group is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administrative purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, expendable trust and enterprise funds as permitted by the Ohio Revised Code. Investments are stated at cost which approximates market value at year-end.

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$211,726, which includes \$76,221 assigned from other District funds.

C. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Accounts receivable at June 30, 1999 consisted of tuition and fees in the general fund.

D. ESTIMATES

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

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. INTERFUND ASSETS/LIABILITIES

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables." Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

F. INVENTORIES AND SUPPLIES

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on estimated life of assets. Estimated useful life of equipment, including vehicles, is 5 to 20 years. The capitalization threshold is \$500.

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds.

J. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. COMPENSATED ABSENCES (continued)

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

L. FUND BALANCE RESERVES

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. *Unreserved fund balances* indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, debt service and HB412 reserves for budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. INTERGOVERNMENTAL REVENUES

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

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

*General Fund:*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Allowance



EAST HOLMES LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. INTERGOVERNMENTAL REVENUES (continued)

Non-Reimbursable Grants

*Special Revenue Funds:*

- Auxiliary Services
- Education Management Information Systems
- Eisenhower Grant
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Teacher Development Block Grant

*Capital Projects Funds:*

- School Net

Reimbursable Grants

*General Fund:*

- Driver Education
- Telecommunications Act Grant

*Enterprise Funds:*

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 43% of the District's operating revenue during the 1999 fiscal year.

N. TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles (GAAP). Interfund eliminations have not been made in the aggregation of this data.

O. RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook/instruction materials reserve, and capital maintenance reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1999, the District set aside the amounts required by state statute. A fund balance reserve has also been established.

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

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

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

B. BUDGETARY BASIS

Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official Certificate of Estimated Resources which states that 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 appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered 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 Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual-All Governmental Fund Types and Expendable Trust Funds (Non-GAAP Budgetary Basis)" do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

B. BUDGETARY BASIS (continued)

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual Appropriation Resolution must be passed by October 1 of each year for the period July 1 to June 30. The Appropriation Resolution fixes spending authority at the fund, object level for the general fund and at the fund level for all other funds, and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual-All Governmental Fund Types and Expendable Trust Funds (Non-GAAP Budgetary Basis)" represent the final appropriation amounts including all amendments and modifications.

Lapsing of Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent-year expenditures.

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. BUDGETARY BASIS (continued)

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual-All Governmental Fund Types and Expendable Trust Funds (Non-GAAP Budgetary Basis)" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

- 1) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
- 4) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5) The District repays debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds and the expendable trust funds follow:

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. BUDGETARY BASIS (continued)

Excess of Revenues and Other Financing Sources Over (Under)  
Expenditures and Other Financing Uses Governmental Fund Types and Expendable Trust Funds  
Reconciliation of Budget Basis to GAAP Basis

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Expendable Trust Funds</u>
Budget Basis	\$ 309,512	\$(112,572)	\$ (6,177)	\$116,471	\$ 276
Adjustments, increase (decrease)					
Revenue accruals	197,675	(36)	6,022	5,408	0
Expenditures accruals	(57,256)	7,806	0	0	(125)
Encumbrances outstanding at year-end	<u>409,276</u>	<u>51,797</u>	<u>0</u>	<u>8,841</u>	<u>1,288</u>
GAAP basis	<u>\$ 859,207</u>	<u>\$ (53,005)</u>	<u>\$ (157)</u>	<u>\$ 130,720</u>	<u>\$ 1,439</u>

NOTE 4 CHANGE IN ACCOUNTING PRINCIPLES

The District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Plan. On September 1, 1998, the Ohio Employees Compensation Board created a trust for the assets of the plan for which the District has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees Deferred Compensation Plan is no longer presented as part of the District's financial statements.

NOTE 5 ACCOUNTABILITY AND COMPLIANCE

Ohio Rev. Code Section 5705.39 prohibits appropriations from exceeding estimated resources. The Special Revenue Fund Title I exceeded by \$1,428,649 and the Enterprise Food Service Fund by \$8,590.

In order to eliminate the budgetary violations, appropriations will be monitored so that they do not exceed total estimated revenue.

NOTE 6 DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by various funds. Each funds portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and equivalents." The amount held at fiscal year end for the Employee Benefit Self Insurance Fund was \$764,125. All benefit deposits are made to the Plan Administrator's Depository Account. Collateral is held by a qualified third-party trustee in the name of the District.

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 6 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies could be invested in the following obligations provided they mature or are redeemable within two years from the date of purchase:

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-loan 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; and

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 6 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

6) The State Treasurer's Investment Pool (STAR Ohio).

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.

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

*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 District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.*

B. DEPOSITS

At year-end, the carrying amount of the District deposits was \$3,712,745 and the bank balance was \$3,871,821 all of which was covered by federal depository insurance, by collateral held by the depository, or by their trust department agent but not in the District's name.

C. INVESTMENTS

Investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer'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 broker or dealer or by its trust department but not in the District's name. The District's investment in Star Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 6 DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS (continued)

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterpart is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository. As of June 30, the District's investments consisted of the State Treasurer's investment pool. The carrying value of these investments was \$365,952 and the market value was \$365,952.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Governmental Entities that use Proprietary Fund Accounting". A reconciliation between the classification of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$4,078,697	\$ 0
Investments which are part of cash management pool:		
STAR Ohio	<u>(365,952)</u>	<u>365,952</u>
GASB Statement No. 3	<u>\$3,712,745</u>	<u>\$365,952</u>

NOTE 7 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

The changes in general fixed assets during the year consisted of:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Land, Buildings and Improvements	\$ 7,785,606	\$ 233,185	\$ 0	\$ 8,018,791
Furniture and equipment	2,356,621	226,260	6,557	2,576,324
Vehicles	1,211,130	130,474	12,324	1,329,280
Textbooks	<u>1,228,163</u>	<u>0</u>	<u>0</u>	<u>1,228,163</u>
	<u>\$12,581,520</u>	<u>\$ 589,919</u>	<u>\$ 18,881</u>	<u>\$13,152,558</u>



EAST HOLMES LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 7 FIXED ASSETS AND ACCUMULATED DEPRECIATION (continued)

B. PROPRIETARY FUND TYPE FIXED ASSETS

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>ENTERPRISE</u>	<u>Balance</u> <u>June 30, 1999</u>
Equipment	\$ 270,763
Less: accumulated depreciation	<u>171,900</u>
Net fixed assets	<u>\$ 98,863</u>

NOTE 8 DEFERRED REVENUE

Deferred Revenue at year-end, consisted of:

Property taxes receivable	\$5,865,777
Federal commodities, unused	<u>17,457</u>
	<u>\$5,883,234</u>

NOTE 9 GENERAL LONG-TERM OBLIGATIONS

	<u>Outstanding</u> <u>June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u> <u>June 30, 1999</u>
Capital lease	\$ 20,744	\$ 0	\$ 6,802	\$ 13,942
Compensated absences payable	766,566	0	57,411	709,155
Intergovernmental payable	85,563	0	6,597	78,966
Notes payable 0%	81,000	150,000	57,000	174,000
Bonds payable 6.65% -7.70%	<u>1,925,000</u>	<u>0</u>	<u>175,000</u>	<u>1,750,000</u>
	<u>\$ 2,878,873</u>	<u>\$ 150,000</u>	<u>\$ 302,810</u>	<u>\$ 2,726,063</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 9 GENERAL LONG-TERM OBLIGATIONS (continued)

The annual requirement to amortize all bonds and notes outstanding as of June 30, 1999, including interest payments of \$673,750 are as follows:

Year Ending June 30,	<u>Bonds</u>	<u>Notes</u>
2000	\$ 303,012	\$ 57,000
2001	289,538	57,000
2002	276,063	30,000
2003	262,588	30,000
2004	249,113	--
Thereafter	<u>1,043,436</u>	<u>--</u>
Total	<u>\$2,423,750</u>	<u>\$174,000</u>

NOTE 10 CAPITALIZED LEASE OBLIGATION

The District is obligated under an equipment lease accounted for as a capital lease. The leased asset and related obligation are accounted for in the General Fixed Assets Account Group and the General Long-Term Obligations Account Group, respectively. The assets under capital lease totaled \$33,482 at June 30, 1999. The lease is in effect through fiscal year 2001.

The following is a schedule of future minimum lease payments under capital lease together with the net present value of the minimum lease payments as of June 30, 1999.

<u>June 30,</u>	<u>Year Ending Amount</u>
2000	\$ 8,832
2001	<u>6,624</u>
Total minimum lease payment	15,456
Less: Amount representing interest	<u>(1,514)</u>
Net present value of minimum lease payments	<u>\$ 13,942</u>

NOTE 11 PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Holmes and Wayne County Auditors are responsible for assessing and remitting these property taxes to the District.

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 11 PROPERTY TAXES (continued)

Real property taxes collected in 1999 were based on assessed value equal to thirty-five percent of appraisal value. The Holmes and Wayne County Auditors reappraise real property every six years with a triennial update, which last update was completed for the tax year 1998 for Holmes County and 1996 for Wayne County. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Holmes and Wayne Counties, real property taxes are billed semi-annually, one year in arrears. The full tax rate applied to real property for the tax (calendar) year 1998 was \$26.70 for Holmes and Wayne per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$23.82 for Holmes and Wayne Counties per \$1,000 of assessed valuation for real property classified as residential/agricultural \$24.04 and Holmes and Wayne Counties per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible property for the tax (calendar) year 1998 was \$26.70 for Holmes and Wayne Counties per \$1,000 of assessed valuation.

The property valuation consisted of:

	<u>Holmes</u>	<u>Wayne</u>
Real property		
Residential/ Agricultural	\$170,142,180	\$ 571,480
Commercial		
Industrial	35,667,460	0
Public utilities	3,810	0
Mineral	1,365,280	0
Tangible Personal Property		
General	46,495,830	13,745
Public Utilities	<u>8,137,860</u>	<u>5,070</u>
Total Valuation	<u>\$261,812,420</u>	<u>\$ 590,295</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 11 PROPERTY TAXES (continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amounts available to the District as an advance at June 30, 1999 were \$312,869 and \$0 from Holmes and Wayne Counties, respectively.

NOTE 12 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, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with Indiana Insurance. The deductible is \$1,000 per incident on property and \$500 per incident on equipment. All vehicles are also insured by Nationwide Insurance and have a \$250 deductible. All board members, administrators, and employees are covered under a school district liability policy with Nationwide/Wausau Insurance. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 per aggregate. The Treasurer is covered under a surety bond in the amount of \$25,000.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

The District maintains a health insurance plan for its employees. The monthly health insurance premiums are paid to the Plan Administrator, Aultcare Corporation, and recorded as an expenditure on the District's books. The District accounts for this activity in an internal service fund. The plan includes stop loss coverage with a limit of \$40,000 per individual and \$764,600 in the aggregate, per year.

NOTE 13 DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent; annual covered payroll. For fiscal year 1999, 9.45 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$193,612, \$202,152, and \$176,004, respectively; 48 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$100,252 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. STATE TEACHERS RETIREMENT SYSTEM

The District participates in 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.45 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$733,589, \$707,040, and \$682,848, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$125,379 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTE 14 POSTEMPLOYMENT BENEFITS

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

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 14 POSTEMPLOYMENT BENEFITS (continued)

The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund at year end was \$2.156 million. For the fiscal year ended June 30, 1998 (the latest information available), the net health care costs paid by STRS were \$219,224,000, statewide.

For SERS, coverage is made available to service retirees with ten years or more fiscal 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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 3.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 1999, the minimum pay was established at \$12,400. For the District the amount to fund healthcare benefits, including surcharge, equaled \$91,855 during the 1998 fiscal year. The number of participants currently receiving health care benefits statewide is 50,000. For the fiscal year ended June 30, 1998 (the latest information available), net health care costs by School Employees Retirement System were \$111,900,575, statewide.

NOTE 15 SEGMENT INFORMATION

The District maintains enterprise funds to account for the operation of school food service and uniform school supplies. Segment information related to these follows:

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Total Enterprise</u>
Operating revenues	\$ 273,668	\$ 5,488	\$ 279,156
Operating expenses			
Salaries	167,553	0	167,553
Fringe benefits	71,773	0	71,773
Purchased services	22,189	0	22,189
Materials and supplies	233,231	6,551	239,782
Depreciation	9,275	0	9,275
Other operating expenses	<u>1,736</u>	<u>0</u>	<u>1,736</u>
Total operating expenses	<u>505,757</u>	<u>6,551</u>	<u>512,308</u>
Operating loss	(232,089)	(1,063)	(233,152)
Non-operating revenues (net)	<u>208,677</u>	<u>0</u>	<u>208,677</u>
Net loss	<u>\$ (23,412)</u>	<u>\$ (1,063)</u>	<u>\$ (24,475)</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 15 SEGMENT INFORMATION (continued)

Net working capital	48,047	15,103	63,150
Fixed assets, net	98,863	0	98,863
Total assets	218,229	15,571	233,800
Total equity	146,910	15,103	162,013

NOTE 16 NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$70,907.

NOTE 17 CONTINGENCIES

Grants

The District received 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 effect on the overall financial position of the District at June 30, 1999.

NOTE 18 SCHOOL FUNDING ISSUE

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$3,207,795 of school foundation support in its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision made by the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 19 YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue, that are necessary to conducting District operations, and has identified such systems as being financial reporting, payroll, and employee benefits.

Holmes and Wayne Counties collect property taxes for distribution to the District. Holmes and Wayne Counties are responsible for remediating the tax collection system and are solely responsible for any costs associated with this project.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

To the best of management's knowledge and belief, as of January 4, 2000, the District has experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.



EAST HOLMES LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 20 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, 1999, the reserve activity (gaap-basis) was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 47,832	-----
Current Year Set-Aside Requirement	135,794	135,794	985	-----
Current Year Offsets	(28,072)	0	0	-----
Qualifying Disbursements	<u>(107,722)</u>	<u>(135,794)</u>	<u>0</u>	-----
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,817</u>	-----
Cash Balance Carried Forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,817</u>	<u>\$ 48,817</u>
Total Restricted Assets				<u>\$ 48,817</u>

NOTE 21 JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

TCCSA is a jointly governed organization comprised of 22 school districts, created as a regional council of governments pursuant to State statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Wayne County Education Services Center, located in Wooster, Ohio which serves as fiscal agent.

EAST HOLMES LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 21 JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Buckeye Career Center (Career Center)

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The Board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

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**EAST HOLMES LOCAL SCHOOL DISTRICT  
HOLMES COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
Telecommunications Act Grant	84.XXX		\$11,486	\$0	\$11,486	\$0
Passed Through the Ohio Department of Education						
Title I Grants to Local Educational Agencies	84.010	C1-S1-98	158,624	0	275,996	0
		C1-S1-98 C	50,000	0	121,085	0
		C1-S1-99	800,080	0	695,790	0
<b>Total Title I Grants to Local Educational Agencies</b>			<u>1,008,704</u>	<u>0</u>	<u>1,092,871</u>	<u>0</u>
Special Education Grants to States	84.027	6B-SF-98P	5,556	0	7,551	0
		6B-SF-99P	51,994	0	49,312	0
<b>Total Special Education Grants to States</b>			<u>57,550</u>	<u>0</u>	<u>56,863</u>	<u>0</u>
Innovative Education Program Strategies	84.298	C2-S1-98	0	0	5	0
		C2-S1-99	7,236	0	3,293	0
<b>Total Innovative Education Program Strategies</b>			<u>7,236</u>	<u>0</u>	<u>3,298</u>	<u>0</u>
Goals 2000 State and Local Education Systemic Improvement	84.276	G2-A2-99	533	0	533	0
		G2-S2-99	15,000	0	750	0
<b>Total Goals 2000 State and Local Education Systemic Improvement</b>			<u>15,533</u>	<u>0</u>	<u>1,283</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<u>1,100,509</u>	<u>0</u>	<u>1,165,801</u>	<u>0</u>
<u>U.S. Department of Agriculture</u>						
Passed Through the Ohio Department of Education						
Child Nutrition Cluster: Food Distribution	10.550	N/A	0	70,907	0	64,079
National School Lunch Program	10.555	N/A	112,293	0	112,293	0
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<u>112,293</u>	<u>70,907</u>	<u>112,293</u>	<u>64,079</u>
<b>Total</b>			<u>\$1,212,802</u>	<u>\$70,907</u>	<u>\$1,278,094</u>	<u>\$64,079</u>

See the accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 DISTRIBUTION**

Nonmonetary 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, 1999, the District had no significant 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**

East Holmes Local School District  
Holmes County  
P.O. Box 182, CR 77  
Berlin, Ohio 44610

To the Board of Education:

We have audited the general purpose financial statements of East Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 4, 2000 in which we noted the District changed its method of accounting and reporting for its deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-10938-001.

We also noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 4, 2000.

**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.

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

However, we noted other matters involving the internal control over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 4, 2000.

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



Jim Petre  
Auditor of State

January 4, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor  
Canton, Ohio 44702

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

East Holmes Local School District  
Holmes County  
P.O. Box 182, CR 77  
Berlin, Ohio 44610

To the Board of Education:

**Compliance**

We have audited the compliance of East Holmes Local School District, Holmes 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, 1999. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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, 1999.



### 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to 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 management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Patro  
Auditor of State

January 4, 2000

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**JUNE 30, 1999  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding # 1999-10938-001**

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total estimated or amended official estimate.

The permanent Appropriation adopted September 21, 1998 exceeded the estimated revenue certificate which was adopted on July 17, 1998 for the following funds: Special Revenue Title I Fund by \$1,428,649 and the Enterprise Food Service Fund by \$8,590. Appropriating more than what is estimated to be received could result in overspending of funds. The Treasurer should review the estimated revenue and compare it to the appropriations. If more revenue is received than expected then an amended certificate should be obtained from the County Auditor.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.



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**EAST HOLMES LOCAL SCHOOL DISTRICT, HOLMES 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.**

By: \_\_\_\_\_

*Susan Babbitt*

Clerk of the Bureau

Date: \_\_\_\_\_

**MAR 09 2000**