



**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SINGLE AUDIT**

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



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



## TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants .....	1
Financial Statements:	
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types .....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Fund .....	4
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Proprietary Fund Type and Similar Fiduciary Fund .....	5
Combined Statement of Receipts - Budget and Actual - All Budgeted Fund Types .....	6
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Budgeted Fund Types .....	7
Notes to the Financial Statements .....	9
Schedule of Federal Awards Receipts and Expenditures .....	22
Notes to Schedule of Federal Awards Receipts and Expenditures .....	24
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	25
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 .....	27
Schedule of Findings - <i>OMB Circular A-133 §.505</i> .....	29
Schedule of Prior Audit Findings - <i>OMB Circular A-133 §.315(b)</i> .....	31

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Federal Hocking Local School District  
Athens County  
P.O. Box 117  
Stewart, Ohio 45778-0117

To the Board of Education:

We have audited the accompanying financial statements of the Federal Hocking Local School District, Athens County, Ohio, (the School District), as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these 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.

Ohio Administrative Code § 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the School District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Federal Hocking Local School District, Athens County, as of June 30, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 1999, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements of the School District, taken as a whole. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and other officials authorized to receive this report under Ohio Revised Code § 117.26, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

November 23, 1999

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND  
CASH BALANCES - ALL FUND TYPES  
AS OF JUNE 30, 1999**

Cash	\$1,136,253
Investments	
Repurchase Agreement	231
Total	\$1,136,484

**CASH BALANCES BY FUND TYPE**

<b>Governmental Funds:</b>	
General Fund	\$239,399
Special Revenue Funds	159,548
Debt Service Fund	408,038
Capital Projects Funds	193,417
<b>Proprietary Funds:</b>	
Enterprise Funds	105,808
<b>Fiduciary Funds:</b>	
Expendable Trust Funds	60
Agency Funds	30,214
Total	\$1,136,484

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
<b>RECEIPTS:</b>						
Receipts from Local Sources						
Taxes	\$1,500,601	\$33,514	\$302,888	\$0	\$0	\$1,837,003
Earnings on Investment	48,013	0	0	8,144	0	56,157
Food Service	0	28,705	0	0	0	28,705
Extracurricular Activities	0	56,946	0	0	0	56,946
Classroom Material & Fees	0	1,628	0	0	0	1,628
Miscellaneous	66,289	6,882	0	0	0	73,171
Receipts from State Sources						
Unrestricted Grants-In-Aid	5,464,499	1,892	271,994	0	0	5,738,385
Restricted Grants-In-Aid	21,185	288,264	0	199,707	0	509,156
Revenue for/on Behalf of the District	4,600	0	0	0	0	4,600
Receipts from Federal Sources						
Unrestricted Grants-In-Aid	0	727,375	0	0	0	727,375
Restricted Grants-In-Aid	0	37,280	0	0	0	37,280
<b>Total Receipts</b>	<u>7,105,187</u>	<u>1,182,486</u>	<u>574,882</u>	<u>207,851</u>	<u>0</u>	<u>9,070,406</u>
<b>DISBURSEMENTS:</b>						
Instruction:						
Regular	3,429,779	690,872	0	93,091	8,958	4,222,700
Special	795,546	390,994	0	0	0	1,186,540
Vocational Education	207,894	0	0	0	0	207,894
Other Instruction	57,890	0	0	0	0	57,890
Supporting Services:						
Pupils	248,616	25,842	0	0	0	274,458
Instructional Staff	96,450	243,291	0	0	0	339,741
Board of Education	14,532	0	0	0	0	14,532
Administration	566,250	3,801	0	13,293	0	583,344
Fiscal Services	194,523	857	7,756	10,092	0	213,228
Operation and Maintenance - Plant	750,536	32,735	0	8,773	0	792,044
Pupil Transportation	631,913	19	0	0	10	631,942
Central	0	76,650	0	0	0	76,650
Operation of Noninstructional Services:						
Community Services	0	620	0	0	0	620
Extracurricular Activities:						
Sports Oriented	10,517	28,169	0	0	0	38,686
Co-Curricular Activities	0	160	0	0	0	160
Facilities Acquisition and Construction Services:						
Site Improvement	0	0	0	357,568	0	357,568
Architecture and Engineering	0	0	0	14,231	0	14,231
Building Acquisition and Construction	0	0	0	262,778	0	262,778
Other Facilities Acquisition and Construction	0	0	0	7,504	0	7,504
Debt Service:						
Repayment of Debt	0	0	656,440	0	0	656,440
<b>Total Disbursements</b>	<u>7,004,446</u>	<u>1,494,010</u>	<u>664,196</u>	<u>767,330</u>	<u>8,968</u>	<u>9,938,950</u>
Excess of Receipts Over/(Under) Disbursements	<u>100,741</u>	<u>(311,524)</u>	<u>(89,314)</u>	<u>(559,479)</u>	<u>(8,968)</u>	<u>(868,544)</u>
<b>OTHER FINANCING SOURCES/(USES):</b>						
Sale and Loss of Assets	0	0	0	260	0	260
Transfers-In	0	0	66,249	0	0	66,249
Advances-In	0	20,000	0	30,000	0	50,000
Refund of Prior Year Expenditures	2,186	(1,917)	0	0	0	269
Transfers-Out	(66,249)	0	0	0	0	(66,249)
Advances-Out	(50,000)	0	0	0	0	(50,000)
<b>Total Other Financing Sources/(Uses)</b>	<u>(114,063)</u>	<u>18,083</u>	<u>66,249</u>	<u>30,260</u>	<u>0</u>	<u>529</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	<u>(13,322)</u>	<u>(293,441)</u>	<u>(23,065)</u>	<u>(529,219)</u>	<u>(8,968)</u>	<u>(868,015)</u>
Fund Cash Balances, July 1	<u>252,721</u>	<u>452,989</u>	<u>431,103</u>	<u>722,636</u>	<u>9,028</u>	<u>1,868,477</u>
<b>Fund Cash Balances, June 30</b>	<u><u>\$239,399</u></u>	<u><u>\$159,548</u></u>	<u><u>\$408,038</u></u>	<u><u>\$193,417</u></u>	<u><u>\$60</u></u>	<u><u>\$1,000,462</u></u>

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>OPERATING RECEIPTS:</b>			
Food Service	\$140,026	\$0	\$140,026
Extracurricular Activities	0	157,516	157,516
Classroom Materials & Fees	26,894	1,461	28,355
	<u>166,920</u>	<u>158,977</u>	<u>325,897</u>
Total Operating Receipts			
<b>OPERATING DISBURSEMENTS:</b>			
Personal Services - Salaries	129,737	1,986	131,723
Employees' Retirement and Insurance	79,622	0	79,622
Purchased Services	21,066	114,526	135,592
Supplies and Materials	178,024	39,532	217,556
Capital Outlay - Replacement	1,657	0	1,657
Other	0	1,437	1,437
	<u>410,106</u>	<u>157,481</u>	<u>567,587</u>
Total Operating Disbursements			
Operating Income/(Loss)	<u>(243,186)</u>	<u>1,496</u>	<u>(241,690)</u>
<b>NONOPERATING RECEIPTS/(DISBURSEMENTS):</b>			
Miscellaneous	0	5,082	5,082
State Unrestricted Grants-In-Aid	14,165	0	14,165
Federal Unrestricted Grants-In-Aid	200,379	0	200,379
	<u>214,544</u>	<u>5,082</u>	<u>219,626</u>
Total Nonoperating Receipts/(Disbursements)			
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	(28,642)	6,578	(22,064)
Transfers-In	0	2,972	2,972
Transfers-Out	0	(2,972)	(2,972)
	<u>0</u>	<u>(2,972)</u>	<u>(2,972)</u>
Net Income/(Loss)	(28,642)	6,578	(22,064)
Fund Cash Balances, July 1	<u>134,450</u>	<u>23,636</u>	<u>158,086</u>
<b>Fund Cash Balances, June 30</b>	<u><u>\$105,808</u></u>	<u><u>\$30,214</u></u>	<u><u>\$136,022</u></u>

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

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$7,107,220	\$7,107,373	\$153
Special Revenue	1,341,068	1,200,569	(140,499)
Debt Service	641,131	641,131	0
Capital Projects	238,105	238,111	6
<b>Proprietary</b>			
Enterprise	381,367	381,464	97
<b>Fiduciary</b>			
Agency	<u>167,031</u>	<u>167,031</u>	<u>0</u>
<b>Totals (Memorandum Only)</b>	<u><u>\$9,875,922</u></u>	<u><u>\$9,735,679</u></u>	<u><u>(\$140,243)</u></u>

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

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
 COMPARED WITH EXPENDITURE AUTHORITY - ALL BUDGETED FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b>Governmental</b>			
General	\$0	\$7,360,277	\$7,360,277
Special Revenue	87,677	1,568,025	1,655,702
Debt Service	0	665,959	665,959
Capital Projects	118,289	789,995	908,284
<b>Proprietary</b>			
Enterprise	0	452,258	452,258
<b>Fiduciary</b>			
Expendable Trust	0	8,968	8,968
Agency	0	163,425	163,425
<b>Totals (Memorandum Only)</b>	<u>\$205,966</u>	<u>\$11,008,907</u>	<u>\$11,214,873</u>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 6/30/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$7,120,695	\$0	\$7,120,695	\$239,582
1,494,010	35,153	1,529,163	126,539
664,196	0	664,196	1,763
767,330	107,864	875,194	33,090
410,106	0	410,106	42,152
8,968	0	8,968	0
<u>160,453</u>	<u>0</u>	<u>160,453</u>	<u>2,972</u>
<u>\$10,625,758</u>	<u>\$143,017</u>	<u>\$10,768,775</u>	<u>\$446,098</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**1. DESCRIPTION OF THE ENTITY**

The Federal Hocking Local School 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 School District is a local school district as defined by Ohio Revised Code Section 3311.03. The School District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 1998, was 1,535. The School District employed 119 certificated employees and 70 non-certificated employees.

The School District is associated with the Southeast Ohio Voluntary Educational Consortium and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 11 and 12.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Tri-County Joint Vocational School District
- Athens-Meigs Educational Service Center

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**B. Pooled Cash and Investments**

The School District Treasurer invests all available funds of the School District in interest-bearing checking accounts and a repurchase agreement with commercial banks. This cash is pooled for investment purposes to capture the highest rate of return. Income from these investments is distributed according to School District policy.

**C. Fund Accounting**

The School District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**Governmental Fund Types**

**General Fund** - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** - The Special Revenue Funds are used to account for 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** - 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. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

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

**Proprietary Fund Types**

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

**Fiduciary Fund Types**

**Expendable Trust Funds** - The Expendable Trust Funds are used to account for trusts where both principal and earnings on principal may be spent for the trust's intended purpose.

**Agency Funds** - The Agency Funds are used to account for assets held by a governmental unit in an agency capacity for individuals, private organizations, other funds and/or governmental units.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process**

**Budget**

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

**Estimated Resources**

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1997, unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**Encumbrances**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. 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 succeeding fiscal year and need not be reappropriated.

**E. Property, Plant and Equipment**

Fixed assets acquired or constructed for the School District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**F. Accumulated Unpaid Vacation and Sick Leave**

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. At June 30, 1999, management estimates that \$34,333 in vacation leave and \$3,211,901 in sick leave has been accumulated by the employees of the School District. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 1999.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The School District maintains a cash and investment pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type."

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

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

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

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

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

- a. 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 and interest by the United States;
- b. 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;
- c. 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;
- d. Bonds and other obligations of the State of Ohio;

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits** - At fiscal year end, the carrying amount of the School District's deposits was \$1,136,253 and the bank balance was \$1,304,755. Of the bank balance, \$150,988 was covered by federal deposit insurance, and \$1,153,766 was collateralized by securities held by a third party bank in the School District's name.

**Investments** - The Governmental Accounting Standards Board (GASB) Statement No. 3 has established risk categories for investments to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

<u>Investment:</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Repurchase Agreement	<u>\$231</u>	<u>\$231</u>	<u>\$231</u>

**4. PROPERTY TAXES**

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1996 and 1997 for Athens County and Morgan County, respectively.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**4. PROPERTY TAXES (Continued)**

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for fiscal year ended June 30, 1999 was \$34.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$25.01 per \$1,000 of assessed valuation for real property classified as residential/agricultural and was \$25.17 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 School 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 personal property for tax year 1998 was \$34 per \$1,000 of assessed valuation.

	<u>Athens County</u>	<u>Morgan County</u>
<u>Real Property - 1998 Valuation</u>		
Residential/Agricultural	\$49,830,200	\$296,520
Commercial/Industrial	5,277,460	820
<u>Tangible Personal Property - 1998 Valuation</u>		
General	4,735,201	2,400
Public Utilities	<u>13,255,660</u>	<u>177,880</u>
Total	<u>\$73,098,521</u>	<u>\$477,620</u>

The Athens and Morgan County Treasurers collect property tax on behalf of all taxing districts within their respective County. The Athens and Morgan County Auditors periodically remit to the taxing districts their portion of the taxes collected.

**5. DEBT OBLIGATIONS**

Debt outstanding at June 30, 1999, consisted of the following:

General Obligation Bonds	
Principal Outstanding	\$2,760,000
Interest Rate	6.25% to 8.375%
School Energy Conservation Loan	
Principal Outstanding	\$10,000
Interest Rate	5.50%
State Loan Fund	
Principal Outstanding	\$170,902
Interest Rate	5.50%

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**5. DEBT OBLIGATIONS (Continued)**

General obligation bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the School District. Outstanding general obligation bonds consist of school building construction issues. The School District utilizes trustee banks to service the bonds. Payments to the bank are recorded as disbursements in the year deposited with the bank. Therefore, cash held by trustees is not included in these financial statements.

The school energy conservation loan was obtained in order to acquire and install equipment and other improvements which constitute energy conservation measures as per House Bill 264.

The School District borrowed \$327,000 from the State Loan Fund in 1998, in order to meet operating expenses for the School District.

The annual requirements to amortize debt outstanding as of June 30, 1999, including interest payments of \$1,608,160 , are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>School Energy Conservation Loan</u>	<u>State Loan Fund</u>	<u>Total</u>
2000	\$381,416	\$10,558	\$176,051	\$568,025
2001	372,069	0	0	372,069
2002	357,544	0	0	357,544
2003	347,841	0	0	347,841
2004	342,594	0	0	342,594
2005 - 2009	1,402,961	0	0	1,402,961
2010 - 2014	708,162	0	0	708,162
2015 - 2019	<u>449,866</u>	<u>0</u>	<u>0</u>	<u>449,866</u>
Total	<u>\$4,362,453</u>	<u>\$10,558</u>	<u>\$176,051</u>	<u>\$4,549,062</u>

**6. AMORTIZATION OF CLASSROOM FACILITIES**

On December 18, 1986, the School District entered into a school facilities loan program for the purpose of constructing school classroom facilities (project #372). Under the contract, the District received a portion of the funding from the State of Ohio, to be repayed from the proceeds of a half mill levy. The remaining funding was received through voted general obligation bonds issued in 1996. At any time the taxes necessary to be levied to provide the debt service on the School District's net indebtedness, including the bond issue plus the half mill payment to the State, would decline below four mills per year, then any margin thus created between the reduced millage and four mills must be levied and repaid to the State. At the end of the twenty-three year period any remaining unpaid balance on the State loan is forgiven and written off by the State.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**6. AMORTIZATION OF CLASSROOM FACILITIES (Continued)**

The School District also entered into a similar contract on May 8, 1995, with the State Department of Education, for the construction of a Middle School (project #23). This contract will not have any payments applied until the classroom facilities contract has been paid in full. The maximum period of this contract is also twenty-three years. The balance of this debt will be nullified at the end of the calendar year 2018.

For the fiscal year ended June 30, 1999, the School District made no principal payments on project #372 or #23. The balances outstanding on these projects are disclosed below:

	<u>Project #372</u>	<u>Project #23</u>	<u>Total</u>
Balance Outstanding at June 30, 1999	<u>\$3,312,651</u>	<u>\$8,740,923</u>	<u>\$12,053,574</u>

**7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year ending June 30, 1999, the School District contracted with Indiana Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$500 deductible.

Professional and general liability is protected by the Wausau Insurance Company with a \$1,000,000 single occurrence limit with \$1,000,000 aggregate and no deductible. Vehicles are covered by Indiana Insurance Company and hold a \$500 deductible for collision and a \$250 deductible for comprehensive coverage. Vehicle liability had a \$2,000,000 combined single limit of liability. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

The School District provides a comprehensive health insurance plan with Anthem (Blue Cross/Blue Shield Association) for all eligible employees. The School District pays 100% of the single and 90% of the family health and drug premium. The monthly premium for this coverage is \$461.93 for family and \$173.08 for individual. This insurance provides prescription drug insurance which has a monthly premium of \$70.14 per employee. The employee can elect to have PPO coverage in place of the traditional Anthem coverage. The monthly premium for the PPO coverage is \$512.60 for family and \$191.85 for individual. These amounts include prescription drug coverage.

Dental coverage is provided through CoreSource. The School District pays 100% of the premium for certified employees and 90% for non-certified employees. Monthly premiums for this coverage are \$26.40 for all employees.

Vision insurance for certified employees is provided through Vision Service Plan. The School District pay 100% of the premium for single and/or family coverage. The monthly premium for this coverage is \$19.18 for family and/or single coverage.

Life insurance for certified employees is provided through SAFECO. The School District pays 100% of the premium for single coverage. The monthly premium for this coverage is \$5.10 per month.

Vision, life and hearing insurance for non-certified employees is provided through Ohio AFSCME Care Plan. The School District pays 100% of the premium for single and/or family coverage. The monthly premium for this coverage is \$12.75 for family and/or single coverage.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$285,018, \$261,983, and \$258,908, respectively. The pension contribution for the School District for the fiscal year ended June 30, 1999, consisted of \$102,960 from employees and \$182,058 from the employer. The required percentages for employer and employee contributions for the next fiscal year will be unchanged.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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 School District is required to contribute 14 percent; 12 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 contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$939,376, \$938,942, and \$953,171, respectively. The pension contribution for the School District for the fiscal year ended June 30, 1999 consisted of \$373,468 from employees and \$565,908 from the employer. The required percentages for employer and employee contributions for the next fiscal year will be unchanged.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**9. LEASE OBLIGATION**

The School District entered into sixty month lease for the use of a Xerox copier on March 26, 1996. The annual requirements to amortize the lease obligation outstanding as of June 30, 1999 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2000	\$18,018
2001	<u>12,474</u>
Total	<u>\$30,492</u>

**10. CONTRACTUAL COMMITMENTS**

The School District was previously committed to or had entered into contractual agreements during the audit period which have outstanding balances. The following are contracts which had outstanding balances as of June 30, 1999:

<u>Vendor</u>	<u>Fund to be Paid From</u>	<u>Amount</u>
Edwin H. Davis	General Fund	\$41,500
Marietta Truck Sales	General Fund	<u>79,885</u>
Total		<u>\$121,385</u>

**11. JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeast Ohio Voluntary Educational Consortium (SEOVEC)**

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC's governing board is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

**B. The Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**12. INSURANCE PURCHASING POOL**

**Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**13. STATUTORY RESERVES**

The School 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 was as follows:

	Textbook Reserve	Capital Maintenanc e Reserve	Budget Stabilization Reserve	Total
Balance - 7/1/98	\$0	\$0	\$46,016	\$46,016
Required Set-Aside	125,283	125,283	62,641	313,207
Offset Credits	0	0	0	0
Qualifying Expenditures	(103,200 )	(115,300)	0	(218,500)
Balance - 6/30/99	<u>\$22,083</u>	<u>\$9,983</u>	<u>\$108,657</u>	<u>\$140,723</u>

**14. STATE SCHOOL FUNDING DECISION**

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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,314,078 of school foundation support for its general fund.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**14. STATE SCHOOL FUNDING DECISION (Continued)**

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. During fiscal year 1997, the School District had borrowed \$148,000 under this program; the final payment of this note was made in fiscal year 1999. During fiscal year 1998, the School District borrowed \$327,000 under this program; the final payment of this note will be made in fiscal year 2000. The terms of the debt are further described in Note 5 to these financial statements.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$12,053,574 under this program.

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. As of November 23, 1999 the Ohio Supreme Court has not rendered an opinion on this issue. The decision of 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 School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

**15. 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 governments' operations as early as fiscal year 1999.

The School District is completing an inventory of mission-critical computer and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The School 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.

The State of Ohio distributes a substantial sum of money to the School District in the form of "foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the School District through EMIS. The State is responsible for remediating these systems.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**15. YEAR 2000 ISSUE (Continued)**

The School District contracts with GTE and Alltel for telephone services. GTE and Alltel are responsible for remediating this system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

**16. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 School District at June 30, 1999.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**C. Financial Forecast**

Ohio Rev. Code Section 5705.391(B) states that School Districts are required to prepare five year projections of revenues and expenditures as part of the spending plans. The School District's forecast resulted in operating deficits for the forecasted fiscal years, including a forecasted deficit of \$420,000 for the fiscal year ending June 30, 2000. As of November 23, 1999, the District has met their fiscal year 2000 budget and believes they will be able to prevent the projected negative fund balance at June 30, 2000.

**16. PERSONAL TANGIBLE TAX DECISION**

On March 26, 1997, the Ohio Supreme Court rendered a decision involving the Texas Eastern Transmission Corporation, a natural gas pipeline transmission company, that will impact the School District. The decision rendered determined that Texas Eastern Transmission Corporation overpaid personal tangible tax beginning in 1990 and is entitled to a refund of the overpayment, plus interest. The School District is required to refund \$76,611 plus interest of \$28,155, which is a total of \$104,766 for 1991, and will owe approximately \$239,775 for the years 1992 through 1996. Under a provision in HB 215, the School District was notified by the Ohio Department of Education that it would, in the future, receive approximately \$179,954 in supplemental payments to help ease this tax repayment burden.

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Noncash Receipts</u>	<u>Disbursements</u>	<u>Noncash Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
Pass Through Ohio Department of Education:						
Food Distribution Program (Commodities)	N/A	10.550	\$0	\$34,603	\$0	\$34,836
Nutrition Cluster:						
School Breakfast Program	05-PU-98	10.553	8,603	0	8,603	0
	05-PU-99		21,227	0	21,227	0
Total School Breakfast Program			29,830	0	29,830	0
National School Lunch Program	03-PU-98	10.555	7,628	0	7,628	0
	03-PU-99		19,407	0	19,407	0
	04-PU-98		37,724	0	37,724	0
	04-PU-99		105,234	0	105,234	0
Total National School Lunch Program			169,993	0	169,993	0
Special Milk Program for Children	02-PU-98	10.556	123	0	123	0
	02-PU-99		433	0	433	0
Total Special Milk Program for Children			556	0	556	0
Total Nutrition Cluster			200,379	0	200,379	0
Total U.S. Department of Agriculture			200,379	34,603	200,379	34,836
<b><u>U.S. DEPARTMENT OF LABOR</u></b>						
Pass Through Ohio Department of Education:						
Employment Services and Job Training Pilot and Demonstration Program	WK-BE-98	17.249	37,280	0	38,444	0
Total U.S. Department of Labor			37,280	0	38,444	0
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
Pass Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants to States	6B-SF-98	84.027	0	0	32,347	0
	6B-SF-98P		88,015	0	88,253	0
Total Special Education Grants to States			88,015	0	120,600	0
Special Education Preschool Grant	PG-S1-98	84.173	0	0	806	0
	PG-S1-98P		10,140	0	9,221	0
Total Special Education Preschool Grant			10,140	0	10,027	0
Total Special Education Cluster			98,155	0	130,627	0
Title I Grants to Local Educational Agencies	C1-S1-98	84.010	7,625	0	65,508	0
	C1-S1-98C		31,075	0	31,075	0
	C1-S1-99		359,033	0	374,534	0
Total Title I Grants to Local Educational Agencies			397,733	0	471,117	0
Safe and Drug-Free Schools and Communities Grant	DR-S1-98	84.186	0	0	2,684	0
	DR-S1-99		4,900	0	3,315	0
Total Safe and Drug-Free Schools and Communities Grant			4,900	0	5,999	0
GOALS 2000	G2-S1-98P	84.276	40,500	0	30,797	0
	G2-S1-98		0	0	3,824	0
	G2-S4-98		3,000	0	863	0
	G2-SP-99		3,997	0	70	0
Total GOALS 2000 Program			47,497	0	35,554	0

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Noncash Receipts</u>	<u>Disbursements</u>	<u>Noncash Disbursements</u>
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>						
Pass Through Ohio Department of Education (Continued):						
Eisenhower Professional Development State Grant	MS-S1-97	84.281	(1,917)	0	1,233	0
	MS-S1-98		0	0	9,485	0
	MS-S1-99		<u>10,854</u>	0	<u>2,930</u>	0
Total Eisenhower Professional Development State Grant			8,937	0	13,648	0
Technology Literacy Challenge Fund Grant	TF-S2-98	84.318	162,500	0	275,929	0
Innovative Education Program Strategies	C2-S1-98	84.298	0	0	553	0
	C2-S1-99		<u>5,736</u>	<u>0</u>	<u>5,736</u>	<u>0</u>
Total Innovative Education Program Strategies			5,736	0	6,289	0
Total U.S. Department of Education			<u>725,458</u>	<u>0</u>	<u>939,163</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$963,117</u></b>	<b><u>\$34,603</u></b>	<b><u>\$1,177,986</u></b>	<b><u>\$34,836</u></b>

*See the notes to the schedule of federal awards receipts and expenditures.*

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999 the School District had no significant food commodities in inventory.

**NOTE C - EISENHOWER MATHEMATICS AND SCIENCE EDUCATION GRANT**

During Fiscal Year 1999, the School District refunded \$1,917 in prior year grant monies back to the Federal Government for the Eisenhower Mathematics and Science Education Grant. The School District reported this refund as a negative receipt rather than an expenditure. This amount is reported as a negative receipt on the Schedule of Federal Awards and Expenditures and on the financial statements.



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**

Federal Hocking Local School District  
Athens County  
P.O. Box 117  
Stewart, Ohio 45778-0117

To the Board of Education:

We have audited the financial statements of the Federal Hocking Local School District, Athens County, Ohio, (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated November 23, 1999, wherein we noted that the School District had not adopted generally accepted accounting principles. 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 1999-10705-001 and 1999-10705-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated November 23, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 23, 1999.

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

**Jim Petro**  
Auditor of State

November 23, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Federal Hocking Local School District  
Athens County  
P.O. Box 117  
Stewart, Ohio 45778-0117

To the Board of Education:

**Compliance**

We have audited the compliance of the Federal Hocking Local School District, Athens County, Ohio, (the 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, 1999. The School 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 School District's management. Our responsibility is to express an opinion on the School 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 School 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 School District's compliance with those requirements.

In our opinion, the 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, 1999.

**Internal Control Over Compliance**

The management of the 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 the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 23, 1999.

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

**Jim Petro**  
Auditor of State

November 23, 1999

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 1999**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(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 conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance 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 Program, 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)

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

**FINDING NUMBER 1999-10705-001**

Ohio Admin. Code § 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies may be taken against the School District.

We recommend that the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**FINDING NUMBER 1999-10705-002**

Ohio Rev. Code § 5705.36 provides that upon determination by the fiscal officer that the revenue to be collected will be less than the amount certified by the budget commission, an amended certificate should be prepared.

The estimated resources exceeded the actual receipts plus unencumbered fund balance in the following funds:

<u>Fund</u>	<u>Estimated Revenue</u>	<u>Actual Revenue</u>	<u>Variance</u>
School To Work	\$72,966	\$54,839	(\$18,127)
Eisenhower Grant	12,519	8,936	(3,583)
Title VI-B	93,240	88,015	(5,225)
Title I	512,916	417,733	(95,183)
Javits Gifted Project	15,000	0	(15,000)

The Treasurer, Superintendent and Vice President of the Board stated the negative variances were due to federal grant monies not being received by fiscal year end. These funds were received in fiscal year 2000.

This condition could cause the District to appropriate and spend more than it will have available, which could cause fund deficit balances. We recommend the School obtain reduced amended certificates when estimated receipts are less than actual receipts.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards that were required to be reported.

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**OMB CIRCULAR A-133 §.315(b)**  
**JUNE 30, 1999**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
1998-10753-001	A noncompliance citation was issued under Ohio Admin. Code Section 117-2-01, for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not corrected. The School District's officials did not believe that preparing financial statements in accordance with generally accepted accounting principles was cost beneficial.





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**FEDERAL HOCKING LOCAL SCHOOL DISTRICT**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 6, 2000**