



**HOLGATE LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Holgate Local School District  
Henry County  
103 Frazier Street  
Holgate, Ohio 43527-9774

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Holgate Local School District, Henry County, (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 Holgate Local School District, Henry County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 1999, 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.

**Jim Petro**  
Auditor of State

December 21, 1999



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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS:</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,206,024	\$95,754	\$550,504
Cash and Cash Equivalents:			
With Fiscal Agents		760	
Receivables:			
Taxes	851,242		53,548
Accounts	5,627	1,401	
Intergovernmental	312		
Accrued Interest	41,134		
Interfund Receivable	7,500		
Materials and Supplies Inventory	1,985	3,410	
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	62,084		
Fixed Assets (Net of Accumulated Depreciation, Where Applicable)			
<b>Other Debits:</b>			
Provided from General Government Resources			
<b>Total Assets and Other Debits</b>	<b><u>\$2,175,908</u></b>	<b><u>\$101,325</u></b>	<b><u>\$604,052</u></b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$8,838	\$500	
Accrued Wages and Benefits	281,793	866	
Compensated Absences Payable	5,106	12,670	
Intergovernmental Payable	47,427		
Interfund Payable			
Due to Students			
Deferred Revenue	659,769		\$48,407
Contracts Payable			91,085
Total Liabilities	<u>1,002,933</u>	<u>14,036</u>	<u>139,492</u>
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Retained Earnings			
Fund Balances:			
Reserved:			
Reserved for Encumbrances	5,253	1,179	54,313
Reserved for Inventory	1,985	3,410	
Reserved for Property Taxes	69,231		5,141
Reserved for Textbooks and Instructional Materials	24,326		
Reserved for Budget Stabilization	37,758		
Unreserved:			
Unreserved, Undesignated	<u>1,034,422</u>	<u>82,700</u>	<u>405,106</u>
Total Fund Equity and Other Credits	<u>1,172,975</u>	<u>87,289</u>	<u>464,560</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$2,175,908</u></b>	<b><u>\$101,325</u></b>	<b><u>\$604,052</u></b>

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



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$25,475	\$16,829			\$1,894,586
				760
				904,790
120	355			7,503
3,388				3,700
				41,134
				7,500
6,553				11,948
				62,084
9,010		\$6,032,740		6,041,750
			\$329,066	329,066
<b>\$44,546</b>	<b>\$17,184</b>	<b>\$6,032,740</b>	<b>\$329,066</b>	<b>\$9,304,821</b>
	\$2,915			\$12,253
\$8,445				291,104
5,797			\$304,855	328,428
6,860			24,211	78,498
7,500				7,500
	14,269			14,269
3,709				711,885
				91,085
32,311	17,184		329,066	1,535,022
		\$6,032,740		6,032,740
12,235				12,235
				60,745
				5,395
				74,372
				24,326
				37,758
				1,522,228
12,235		6,032,740		7,769,799
<b>\$44,546</b>	<b>\$17,184</b>	<b>\$6,032,740</b>	<b>\$329,066</b>	<b>\$9,304,821</b>

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Revenues:</b>				
Intergovernmental	\$2,092,248	\$87,561	\$414,873	\$2,594,682
Interest	112,493			112,493
Tuition and Fees	11,496			11,496
Extracurricular Activities		51,837		51,837
Rent	803			803
Income Tax	381,884			381,884
Property and Other Local Taxes	721,799		52,601	774,400
Miscellaneous	2,453			2,453
<b>Total Revenues</b>	<b>3,323,176</b>	<b>139,398</b>	<b>467,474</b>	<b>3,930,048</b>
<b>Expenditures:</b>				
Instruction:				
Regular	1,561,935	32,822	29,287	1,624,044
Special	29	51,728		51,757
Vocational	128,344			128,344
Adult/Continuing	765			765
Other	235,254			235,254
Support Services:				
Pupils	87,627	12,140		99,767
Instructional Staff	135,336	4,786		140,122
Board of Education	15,398			15,398
Administration	293,044	4,365		297,409
Fiscal	108,860	246	1,302	110,408
Operation and Maintenance of Plant	255,027	180	360,958	616,165
Pupil Transportation	103,798		40,000	143,798
Central	11,321	756		12,077
Non-Instructional Services		484		484
Extracurricular activities	89,367	64,750		154,117
Capital Outlay	5,103		146,660	151,763
<b>Total Expenditures</b>	<b>3,031,208</b>	<b>172,257</b>	<b>578,207</b>	<b>3,781,672</b>
Excess of Revenues Over (Under) Expenditures	291,968	(32,859)	(110,733)	148,376
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In		50,215	200,339	250,554
Other Financing Sources	5,758	668		6,426
Operating Transfers Out	(250,439)			(250,439)
<b>Total Other Financing Sources (Uses)</b>	<b>(244,681)</b>	<b>50,883</b>	<b>200,339</b>	<b>6,541</b>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	47,287	18,024	89,606	154,917
Fund Balance at Beginning of Year	1,125,688	69,265	374,954	1,569,907
<b>Fund Balance at End of Year</b>	<b>\$1,172,975</b>	<b>\$87,289</b>	<b>\$464,560</b>	<b>\$1,724,824</b>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Intergovernmental	\$2,088,873	\$2,092,522	\$3,649
Interest	150,000	148,467	(1,533)
Tuition and Fees	11,688	11,155	(533)
Extracurricular Activities			
Rent	750	750	
Income Tax	381,800	381,884	84
Property and Other Local Taxes	729,312	729,660	348
Miscellaneous	2,500	2,505	5
<b>Total Revenues</b>	<b>3,364,923</b>	<b>3,366,943</b>	<b>2,020</b>
<b>Expenditures:</b>			
Instruction:			
Regular	1,842,994	1,557,607	285,387
Special	2,280	29	2,251
Adult/Continuing	1,575	765	810
Vocational	147,265	128,570	18,695
Other	237,568	229,720	7,848
Support Services:			
Pupils	102,108	87,819	14,289
Instructional Staff	193,695	132,856	60,839
Board of Education	23,650	15,398	8,252
Administration	342,875	302,233	40,642
Fiscal	163,971	112,326	51,645
Operation and Maintenance of Plant	439,625	253,374	186,251
Pupil Transportation	154,700	104,201	50,499
Central	42,000	10,047	31,953
Extracurricular activities	90,600	88,959	1,641
Capital Outlay	15,350	5,103	10,247
<b>Total Expenditures</b>	<b>3,800,256</b>	<b>3,029,007</b>	<b>771,249</b>
Excess of Revenues Over (Under) Expenditures	(435,333)	337,936	773,269
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	67,437		(67,437)
Other Financing Sources	3,000	3,489	489
Advances In	10,500		(10,500)
Operating Transfers Out	(317,500)	(250,439)	67,061
Other Financing Uses	(150)		150
Advances Out	(15,000)	(7,500)	7,500
<b>Total Other Financing Sources (Uses)</b>	<b>(251,713)</b>	<b>(254,450)</b>	<b>(2,737)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(687,046)	83,486	770,532
Fund Balances at Beginning of Year	1,164,537	1,164,537	
Prior Year Encumbrances Appropriated	14,538	14,538	
<b>Fund Balance at end of Year</b>	<b>\$492,029</b>	<b>\$1,262,561</b>	<b>\$770,532</b>

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

Special Revenue			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$62,000	\$64,495	\$2,495	\$363,228	\$414,873	\$51,645	\$2,514,101	\$2,571,890	\$57,789
						150,000	148,467	(1,533)
						11,688	11,155	(533)
49,975	51,104	1,129				49,975	51,104	1,129
						750	750	
						381,800	381,884	84
			59,192	53,177	(6,015)	788,504	782,837	(5,667)
						2,500	2,505	5
111,975	115,599	3,624	422,420	468,050	45,630	3,899,318	3,950,592	51,274
53,765	22,966	30,799	55,986	29,287	26,699	1,952,745	1,609,860	342,885
47,796	47,052	744				50,076	47,081	2,995
						1,575	765	810
						147,265	128,570	18,695
						237,568	229,720	7,848
2,133	1,725	408				104,241	89,544	14,697
535	535					194,230	133,391	60,839
						23,650	15,398	8,252
6,645	4,122	2,523				349,520	306,355	43,165
246	246		2,000	1,302	698	166,217	113,874	52,343
			574,560	506,620	67,940	1,014,185	759,994	254,191
			80,000	40,000	40,000	234,700	144,201	90,499
7,000	756	6,244				49,000	10,803	38,197
70,677	65,301	5,376				161,277	154,260	7,017
			125,000	59,291	65,709	140,350	64,394	75,956
188,797	142,703	46,094	837,546	636,500	201,046	4,826,599	3,808,210	1,018,389
(76,822)	(27,104)	49,718	(415,126)	(168,450)	246,676	(927,281)	142,382	1,069,663
50,748	50,215	(533)	100,339	200,339	100,000	218,524	250,554	32,030
450	390	(60)				3,450	3,879	429
4,242		(4,242)				14,742		(14,742)
(523)		523				(318,023)	(250,439)	67,584
						(150)		150
(4,242)		4,242				(19,242)	(7,500)	11,742
50,675	50,605	(70)	100,339	200,339	100,000	(100,699)	(3,506)	97,193
(26,147)	23,501	49,648	(314,787)	31,889	346,676	(1,027,980)	138,876	1,166,856
56,267	56,267		314,030	314,030		1,534,834	1,534,834	
14,804	14,804		55,206	55,206		84,548	84,548	
<b>\$44,924</b>	<b>\$94,572</b>	<b>\$49,648</b>	<b>\$54,449</b>	<b>\$401,125</b>	<b>\$346,676</b>	<b>\$591,402</b>	<b>\$1,758,258</b>	<b>\$1,166,856</b>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$134,546
<b>Operating Expenses:</b>	
Salaries	65,113
Fringe Benefits	20,001
Purchased Services	5,931
Materials and Supplies	106,845
Depreciation	1,534
Other	35
Total Operating Expenses	199,459
Operating Loss	(64,913)
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	20,688
Interest	108
Federal and State Subsidies	25,407
Total Non-Operating Revenues	46,203
Net Loss	(18,710)
Retained Earnings at Beginning of Year	30,945
<b>Retained Earnings at End of Year</b>	<b>\$12,235</b>

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

**COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Sales	\$134,471
Cash Payments to Suppliers for Goods and Services	(86,011)
Cash Payments for Contract Services	(5,931)
Cash Payments for Employee Services	(58,783)
Cash Payments for Employee Benefits	(22,878)
Other Cash Payments	(222)
	(39,354)
<b>Net Cash Used for Operating Activities</b>	
<b>Cash Flows from Noncapital Financing Activities:</b>	
Operating Grants Received	22,019
Advances In	7,500
	29,519
<b>Net Cash Provided by Noncapital Financing Activities</b>	
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	108
<b>Net Decrease in Cash and Cash Equivalents</b>	(9,727)
Cash and Cash Equivalents at Beginning of Year	35,202
	<b>\$25,475</b>

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES**

Operating Loss	(\$64,913)
Adjustments to Reconcile Operating Loss To Net Cash Used for Operating Activities:	
Depreciation	1,534
Donated Commodities Used During the Year	20,688
(Increase) Decrease in Assets:	
Accounts Receivable	(75)
Material and Supplies Inventory	(1,471)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	861
Intergovernmental Payable	2,420
Deferred Revenue	1,430
Accrued Wages and Benefits	172
	25,559
<b>Total Adjustments</b>	
<b>Net Cash Used for Operating Activities</b>	<b>(\$39,354)</b>

The Food Service Fund consumed donated commodities with a value of \$20,688.  
 The use of these commodities is reflected as an operating expense.

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Holgate 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. Holgate Local School District is a local school district as defined by § 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. The Board oversees the operations of the District's four instructional/support facilities.

**The Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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. 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 entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with five organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Joint Vocational School, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14 and 15 to the general-purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The modified accrual basis of accounting is followed for governmental and agency funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
  - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
  - b. Property taxes measurable but not available as of June 30, 1999, and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The agency funds are custodial in nature and do not present results of operations or have 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 agent capacity.

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

**B. Fund Accounting**

The District maintains its accounting 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 reporting in other funds. The restrictions associated with each class of funds are as follows:

**1. Governmental Funds**

The funds through which most Board of Education functions are typically financed.

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

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

*Capital Projects Funds* - The funds 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).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**2. Proprietary Funds**

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

*Enterprise Funds* - The funds 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 of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Funds**

The funds used to account for assets not owned by the Board, but held for a separate entity.

*Agency Funds* - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

*General Fixed Assets* - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the general fixed assets account group.

*General Long-Term Obligations* - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

**C. Budgetary Accounting**

Budgets are adopted on a cash basis.

The Eisenhower, Title VI-B and Handicapped Preschool special revenue funds are pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds are not included within the District's reporting entity for which the "appropriated budget" is adopted, and they do not maintain separate budgetary records.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 1999, follows:

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	General	Special Revenue	Capital Projects
Budget Basis	\$83,486	\$23,501	\$31,889
Revenue Accruals	(43,767)	23,799	(576)
Expenditure Accruals	(7,744)	(30,733)	(91,084)
Other Sources/Uses	9,769	278	
Encumbrances	5,543	1,179	149,377
	\$47,287	\$18,024	\$89,606

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**Legal Compliance**

Appropriations exceeded estimated resources in the SchoolNet Plus, Emergency Repair Grant, Classroom Facilities Grant, Food Service, Uniform School Supplies, Rotary, Student Activities, and Athletics Funds during a portion of the fiscal year, contrary to Ohio Revised Code § 5705.39.

**D. Encumbrances**

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure 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. Pooled Cash and Investments**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue of \$112,493 was credited to the General Fund and \$108 was credited to the Food Service Fund.

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

**F. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**G. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

**H. Property, Plant and Equipment**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

**2. Proprietary Funds**

Property plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of five to twenty years.

**I. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants 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. Grants for proprietary fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

School Bus Purchase Reimbursement

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999**

Non-Reimbursable Grants

Special Revenue Funds

Drug Free School Grant

Title I

Title VI

Henry County Works Grant

Educational Management Information Systems (EMIS)

Educational Innovation Grant

Textbook/Instructional Materials Subsidy

Teacher Development

Handicapped Preschool (Through Northwest Ohio Educational Service Center)

Title VI-B Flow Through (Through Northwest Ohio Educational Service Center)

Eisenhower Grant Fund (Through Northwest Ohio Educational Service Center)

Capital Projects Funds

SchoolNet Plus

Technology Equity

Reimbursable Grants

General Fund

Driver Education Reimbursement

Vocational Mileage Reimbursement (C. Perkins Grant)

Enterprise Fund

National School Lunch Program

Government Donated Commodities

**J. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and interfund loans payable.

**K. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, materials and supplies, budget stabilization, textbooks and instructional materials, capital improvements, and encumbrances.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**L. 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 information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

**M. Estimates**

The preparation of 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 may differ from those estimates.

**N. Compensated Absences**

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 1999.

Sick leave benefits are accrued as a liability using the vested method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

**O. Pass-Through Grants**

The Eisenhower, Title VI-B, and Handicapped Preschool Special Revenue Funds are pass-through grants in which the Northwest Ohio Education Service Center is the primary recipient. In accordance with GASB Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance" the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Treasurer 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 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations issued by any federal government agency; 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 other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

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

At fiscal year-end, the District had \$760 in cash and cash equivalents held by the Northwest Educational Service Center which is included on the balance sheet as "cash and cash equivalents with fiscal agents."

**Cash on Hand**

At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

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

**Deposits**

At fiscal year end, the carrying amount of the District's deposits was \$1,855,977 and the bank balance was \$1,946,921. Of the bank balance, \$321,185 was covered by federal depository insurance and \$1,625,736 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal regulations could potentially subject the District to a successful claim by the FDIC.

**Investments**

The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name.

The \$100,643 carrying value in the State Treasurer's Investment Pool (STAR Ohio) approximated the fair value at June 30, 1999. Amounts in STAR Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

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 Nonexpendable Trust Funds and Governmental Entities That Use Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999**

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$1,957,430	
Cash with Fiscal Agents	(760)	
Cash on Hand	(50)	
Investments:		
Star Ohio	(100,643)	\$100,643
GASB Statement 3	\$1,855,977	\$100,643

**NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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The Henry County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and October.

The Henry County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 1999. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion which is available to advance as of June 30, 1999.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Agricultural/Residential	\$24,318,380
Commercial/Industrial	1,172,310
Public Utility	3,996,510
General Personal Property	898,340
Total valuation	\$30,385,540

**NOTE 5 - FIXED ASSETS**

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Land Improvements	\$255,986		\$463	\$255,523
Buildings and Improvements	3,182,232	\$501,602		3,683,834
Furniture, Fixtures, and Equipment	1,343,639	79,980	61,651	1,361,968
Vehicles	374,528	51,358	31,884	394,002
Textbooks and Library Books	337,413			337,413
Totals	\$5,493,798	\$632,940	\$93,998	\$6,032,740

A summary of changes in the Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 6/30/99
Furniture and Equipment	\$74,363
Less: Accumulated Depreciation	(65,353)
Totals	\$9,010

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**NOTE 6 - LONG-TERM OBLIGATIONS**

During the year ended June 30, 1999, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/98	Additions	Deductions	Balance at 6/30/99
Intergovernmental Payable	\$26,395		\$2,184	\$24,211
Compensated Absences	291,565	\$13,290		304,855
	<u>\$317,960</u>	<u>\$13,290</u>	<u>\$2,184</u>	<u>\$329,066</u>

**NOTE 7 - COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn 10 vacation days per year, however the accumulated leave cannot be used until after one year of service. Non-certified employees are permitted to carry over vacation leave.

All employees are entitled to a sick leave credit equal to 1¼ days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 49 days.

At June 30, 1999, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the general long-term obligations account group were \$17,776 and \$304,855, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999, was \$5,797.

**NOTE 8 - PENSION AND RETIREMENT PLANS**

**A. State Teachers Retirement System**

The District participates in the State Teachers Retirements 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. 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% of their annual covered salary and the District is required to contribute 14%; 10.5% 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% for members and 14% for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$187,373, \$180,115, \$179,702, respectively; 85% has been contributed for fiscal year 1999 and 100%

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

for fiscal years 1998 and 1997. \$28,944 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

**B. 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. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of the annual covered payroll. Fiscal year 1998, 9.79% 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 School Employees Retirement Board. The District's contributions for pension obligations to SERS for the years ending June 30, 1999, 1998, and 1997, were \$45,226, \$42,833, and \$40,275, respectively, 38% has been contributed for fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$27,906 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

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

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5% of covered payroll to Health Care Reserve Fund. For the District, this amount equaled \$62,458 during fiscal year 1999. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8% of covered payroll.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1,

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999**

1989 with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.21%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of the District's employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557, then adding the surcharge due as of June 30, 1998, as certified to the District by SERS.

For the District, the amount to fund health care benefits, including the surcharge, equaled \$28,105 during the 1999 fiscal year.

**NOTE 10 - ENTERPRISE FUNDS SEGMENT INFORMATION**

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 1999, was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$119,459	\$15,087	\$134,546
Depreciation Expense	1,534		1,534
Operating Loss	(59,825)	(5,088)	(64,913)
Donated Commodities	20,688		20,688
Grants	25,407		25,407
Interest	108		108
Net Loss	(13,622)	(5,088)	(18,710)
Net Working Capital	3,362	(137)	3,225
Total Assets	37,183	7,363	44,546
Total Liabilities	24,811	7,500	32,311
Total Equity	12,372	(137)	12,235

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999**

**NOTE 11 - INTERFUND TRANSACTIONS**

Transfers and advances between funds during the year ended June 30, 1999, were as follows:

	Transfers In	Transfers Out
General Fund		\$250,439
Special Revenue	\$50,215	
Capital Projects Funds	200,339	
Agency Funds	100	215
Total All Funds	\$250,654	\$250,654

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$7,500	
Enterprise Funds		\$7,500
Total All Funds	\$7,500	\$7,500

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$36,596. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
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The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$30,499 for services received through NBEC. . To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Joint Vocational School**

The Four County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Joint Vocational School. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**NOTE 13 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**NOTE 14 - GROUP PURCHASING POOLS**

**A. Northern Buckeye Education Council's Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 1999, was \$193,797. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council's Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year ending June 30, 1999, the District paid an enrollment fee of \$405 to the WCGRP to cover the costs of administering the program.

**NOTE 15 - RELATED ORGANIZATION**

**Holgate Community Library**

The Holgate Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Holgate Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Holgate Community Library, Leanna Waisner, Clerk/Treasurer, at 204 Railway Avenue, Holgate, Ohio 43527.

**NOTE 16 - SCHOOL DISTRICT INCOME TAX**

In 1992, the voters of the Holgate Local School District passed a 1% school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 1999, the District recorded income tax revenue of \$381,884 in the General fund, of which \$122,242 is recorded as a receivable at June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999**

**NOTE 17 - AGENCY FUNDS**

General-Purpose Statement of Changes in Assets and Liabilities			
	Balance at 06/30/98	Change	Balance at 06/30/99
Assets	\$16,851	\$333	\$17,184
Liabilities	\$16,851	\$333	\$17,184

**NOTE 18 - SET ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998			\$12,462	\$12,462
Current Year Set-aside Requirement	\$50,542	\$50,542	25,296	126,380
Current Year Offsets	(8,981)	(50,542)		(59,523)
Qualifying Disbursements	(17,235)			(17,235)
Total	\$24,326		\$37,758	\$62,084
Cash Balance Carried Forward to FY 1999	\$24,326		\$37,758	\$62,084
Amount restricted for budget stabilization and textbooks and instructional materials				\$62,084
Total Restricted Assets				\$62,084

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 19 - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcoming in many electronic data processing systems and other equipment that may adversely affect the District's operations as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting 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 District's school building has heating, air conditioning and ventilation systems, which have efficiency utilization measures within the system. The District can manually override any computerized controls within the system.

The District contracts with the Northwest Ohio Computer Association (NWOCA) for its financial operations including financial reporting, payroll and employee benefits, and educational statistics reporting. NWOCA is responsible for remediating these systems.

Henry County collects property taxes for distribution to the District. The County is responsible for remediating its tax collection system.

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

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

**NOTE 20 - 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 Ohio General Assembly 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 \$1,928,902 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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 of the Court of Common Pleas in the 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.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Holgate Local School District  
Henry County  
103 Frazier Street  
Holgate, Ohio 43527-9774

To the Board of Education:

We have audited the financial statements of Holgate Local School District, Henry County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 21, 1999. 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 1999-10135-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 21, 1999.

**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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10351-002.

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. Our consideration of the internal control over financial reporting 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. However, we do not believe the reportable conditions described above are material weaknesses. We also 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 District in a separate letter dated December 21, 1999.

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 21, 1999

**SCHEDULE OF FINDINGS  
JUNE 30, 1999**

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

**FINDING NUMBER 1999-10135-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.39 states that the total appropriations for each fund should not exceed the total estimated revenue available for expenditure as certified by the county budget commission. The following funds had appropriations in excess of total estimated resources in the following percentages at some point during fiscal year 1999:

SchoolNet Plus Fund	100%
Emergency Repair Grant Fund	100%
Classroom Facilities Grant Fund	100%
Food Service Fund	59%
Uniform School Supplies Fund	67%
Rotary Fund	123%
Student Activities Fund	44%
Athletics Fund	25%

This was due to the lack of adequate and timely monitoring of the District's budget vs. actual activity. Appropriations in excess of estimated resources could result in deficit spending during the fiscal year. We recommend that District officials regularly monitor budget vs. actual activity. Appropriations and estimated resources should be amended as necessary to ensure compliance throughout the fiscal year, as well as at year end.

**FINDING NUMBER 1999-10135-002**

**Amended Certificates of Estimated Resources**

Sound accounting practices provide that budgeted revenues and expenditures posted to the District ledgers be based on amounts formally reviewed and approved by the Board. Estimated revenues posted to the District's ledgers were not based on, and could not be agreed to, the Amended Certificates formally approved by the Budget Commission. Also, the budgeted expenditures posted to the District's ledgers did not reflect amounts estimated per the Appropriation Resolutions and Board-approved modifications and supplements. This caused budgeted revenues and expenditures to be misstated on the District's financial statements for fiscal year 1999. The accompanying budgetary statements were adjusted in the Capital Projects Fund Type by \$6,117 to reflect the correct budgeted revenue.

We recommend the taxes revenue and total other sources revenue amounts posted to the ledgers be reconciled with the amounts officially approved on the Amended Certificates of Estimated Resources. Also, we recommend the budgeted expenditures posted to the accounting ledgers reflect the amounts originally approved on the Appropriations Resolutions and any modifications or supplements approved by the Board in the minutes.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**HOLGATE LOCAL SCHOOL DISTRICT**

**HENRY 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 13, 2000**