



**EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of East Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 2000, 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.

As described in Note 6 to the general purpose financial statements, the District has changed its method of accounting and reporting for certain fixed assets for the year ended June 30, 2000.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 28, 2000

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East Holmes Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,289,649	\$164,468	\$179,814	\$3,286,266
Cash in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	6,097,552	0	211,102	182,521
Accounts	0	3,529	0	0
Intergovernmental	0	0	0	0
Accrued Interest	22,484	0	0	2,336
Interfund Receivable	30,000	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	95,416	0	0	0
Prepaid Items	11,717	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	84,050	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount in Debt Service Retirement Fund	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
	0	0	0	0
Total Assets and Other Debits	\$9,630,868	\$167,997	\$390,916	\$3,471,123

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long- Term Obligations	
\$121,892	\$0	\$43,685	\$0	\$0	\$7,085,774
0	922,979	0	0	0	922,979
0	0	0	0	0	6,491,175
0	0	0	0	0	3,529
16,305	0	0	0	0	16,305
0	0	0	0	0	24,820
0	0	0	0	0	30,000
11,655	0	0	0	0	11,655
375	0	0	0	0	95,791
0	0	0	0	0	11,717
0	0	0	0	0	84,050
112,595	0	0	11,930,932	0	12,043,527
0	0	0	0	183,293	183,293
0	0	0	0	2,156,665	2,156,665
<u>\$262,822</u>	<u>\$922,979</u>	<u>\$43,685</u>	<u>\$11,930,932</u>	<u>\$2,339,958</u>	<u>\$29,161,280</u>

(continued)

East Holmes Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$137,916	\$4,641	\$0	\$8,832
Accrued Wages and Benefits Payable	726,794	130,922	0	0
Compensated Absences Payable	27,359	0	0	0
Interfund Payable	0	30,000	0	0
Intergovernmental Payable	164,733	26,414	0	0
Deferred Revenue	5,996,644	0	207,623	179,512
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	0	33,001
Notes Payable	0	0	0	3,136,000
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	7,053,446	191,977	207,623	3,357,345
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings, Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Prepaid Items	11,717	0	0	0
Reserved for Encumbrances	557,128	16,711	0	235,869
Reserved for Inventory	95,416	0	0	0
Reserved for Taxes	100,908	0	3,479	3,009
Reserved for Budget Stabilization	84,050	0	0	0
Unreserved, Undesignated	1,728,203	(40,691)	179,814	(125,100)
Total Fund Equity and Other Credits	2,577,422	(23,980)	183,293	113,778
Total Liabilities, Fund Equity and Other Credits	\$9,630,868	\$167,997	\$390,916	\$3,471,123

See accompanying notes to the general purpose financial statements

Proprietary Fund Type		Fiduciary Fund Types		Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long- Term Obligations		
\$3,660	\$0	\$2,632	\$0	\$0		\$157,681
26,123	0	0	0	0		883,839
14,311	0	0	0	644,021		685,691
0	0	0	0	0		30,000
36,690	0	0	0	67,619		295,456
9,718	0	0	0	0		6,393,497
0	0	20,843	0	0		20,843
0	0	0	0	0		33,001
0	0	0	0	147,000		3,283,000
0	70,244	0	0	0		70,244
0	0	0	0	6,318		6,318
0	0	0	0	1,475,000		1,475,000
<u>90,502</u>	<u>70,244</u>	<u>23,475</u>	<u>0</u>	<u>2,339,958</u>		<u>13,334,570</u>
0	0	0	11,930,932	0		11,930,932
0	0	0	0	0		0
172,320	852,735	0	0	0		1,025,055
0	0	0	0	0		11,717
0	0	0	0	0		809,708
0	0	0	0	0		95,416
0	0	0	0	0		107,396
0	0	0	0	0		84,050
0	0	20,210	0	0		1,762,436
<u>172,320</u>	<u>852,735</u>	<u>20,210</u>	<u>11,930,932</u>	<u>0</u>		<u>15,826,710</u>
<u>\$262,822</u>	<u>\$922,979</u>	<u>\$43,685</u>	<u>\$11,930,932</u>	<u>\$2,339,958</u>		<u>\$29,161,280</u>

East Holmes Local School District

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	General	Special Revenue	Debt Service
	-----	-----	-----
<u>Revenues:</u>			
Taxes	\$5,602,143	\$0	\$233,770
Intergovernmental	3,916,492	1,168,390	22,002
Interest	323,206	0	0
Tuition and Fees	253,699	26,129	0
Rent	13,226	0	0
Extracurricular Activities	0	273,199	0
Gifts and Donations	0	675	0
Miscellaneous	87,738	14,170	0
Total Revenues	<u>10,196,504</u>	<u>1,482,563</u>	<u>255,772</u>
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction:			
Regular	4,834,270	227,854	0
Special	590,511	872,653	0
Vocational	288,023	0	0
Other	62,191	0	0
Support Services:			
Pupils	197,765	218,419	0
Instructional Staff	332,560	36,667	0
Board of Education	15,750	0	0
Administration	840,736	93,887	0
Fiscal	293,404	5,000	5,951
Operation of Maintenance of Plant	972,913	20,144	0
Pupil Transportation	783,703	1,737	0
Central	68,131	5,355	0
Extracurricular Activities	117,233	155,052	0
Capital Outlay	29,795	0	0
Debt Service - Principal	7,624	0	1,865,750
Debt Service - Interest and Fiscal Charges	1,208	0	119,715
Total Expenditures	<u>9,435,817</u>	<u>1,636,768</u>	<u>1,991,416</u>
Excess of Revenues Over (Under) Expenditures	760,687	(154,205)	(1,735,644)

Capital Projects	Expendable Trust	Totals (Memorandum Only)
\$183,644	\$0	\$6,019,557
15,347	0	5,122,231
2,336	0	325,542
0	0	279,828
0	0	13,226
0	0	273,199
0	3,821	4,496
0	11,402	113,310
<u>201,327</u>	<u>15,223</u>	<u>12,151,389</u>

124,610	0	5,186,734
0	0	1,463,164
0	0	288,023
0	0	62,191
0	0	416,184
0	0	369,227
0	0	15,750
0	0	934,623
4,757	0	309,112
5,550	0	998,607
0	0	785,440
4,500	13,064	91,050
0	0	272,285
190,587	0	220,382
27,000	0	1,900,374
33,001	0	153,924
<u>390,005</u>	<u>13,064</u>	<u>13,467,070</u>

(188,678) 2,159 (1,315,681)
(Continued)

East Holmes Local School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	General	Special Revenue	Debt Service

<u>Other Financing Sources:</u>			
Proceeds from Sale of Bonds	0	0	1,542,692
Proceeds from Sale of Fixed Assets	9,455	0	0
Total Other Financing Sources	<u>9,455</u>	<u>0</u>	<u>1,542,692</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	770,142	(154,205)	(192,952)
Reserved for Inventory	95,416	0	0
Fund Balances Beginning of Year	<u>1,711,864</u>	<u>130,225</u>	<u>376,245</u>
Fund Balances End of Year	<u>\$2,577,422</u>	<u>(\$23,980)</u>	<u>\$183,293</u>

See accompanying notes to the general purpose financial statements

Capital Projects	Expendable Trust	Totals (Memorandum Only)
0	0	1,542,692
<u>0</u>	<u>0</u>	<u>9,455</u>
<u>0</u>	<u>0</u>	<u>1,552,147</u>
(188,678)	2,159	236,466
0	0	95,416
<u>302,456</u>	<u>18,051</u>	<u>2,538,841</u>
<u>\$113,778</u>	<u>\$20,210</u>	<u>\$2,870,723</u>

East Holmes Local School District

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	----- General -----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$5,841,891	\$5,791,890	(\$50,001)
Intergovernmental	3,923,321	3,923,321	0
Interest	273,501	299,882	26,381
Tuition and Fees	253,699	253,699	0
Rent	12,941	13,226	285
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	67,963	89,597	21,634
Total Revenues	<u>10,373,316</u>	<u>10,371,615</u>	<u>(1,701)</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,631,639	4,798,542	(166,903)
Special	602,488	607,334	(4,846)
Vocational	286,073	276,390	9,683
Other	90,800	62,191	28,609
Support Services:			
Pupils	196,584	205,750	(9,166)
Instructional Staff	355,849	337,222	18,627
Board of Education	20,327	19,434	893
Administration	879,718	852,074	27,644
Fiscal	309,185	301,861	7,324
Operation and Maintenance of Plant	1,509,986	1,453,999	55,987
Pupil Transportation	770,150	794,554	(24,404)
Central	70,678	74,496	(3,818)
Extracurricular Activities	104,538	103,448	1,090
Capital Outlay	52,660	52,659	1
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>9,880,675</u>	<u>9,939,954</u>	<u>(59,279)</u>
Excess of Revenues Over (Under) Expenditures	492,641	431,661	(60,980)

----- Special Revenue -----			----- Debt Service -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$243,596	\$243,588	(\$8)
1,564,672	1,168,390	(396,282)	22,002	22,002	0
0	0	0	0	0	0
26,129	26,129	0	0	0	0
0	0	0	0	0	0
276,590	269,670	(6,920)	0	0	0
675	675	0	0	0	0
14,606	14,170	(436)	0	0	0
<u>1,882,672</u>	<u>1,479,034</u>	<u>(403,638)</u>	<u>265,598</u>	<u>265,590</u>	<u>(8)</u>
229,015	213,666	15,349	0	0	0
1,055,030	860,177	194,853	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
242,973	223,315	19,658	0	0	0
40,688	33,989	6,699	0	0	0
0	0	0	0	0	0
115,258	95,620	19,638	0	0	0
10,000	5,000	5,000	5,950	5,950	0
20,144	20,144	0	0	0	0
1,737	1,737	0	0	0	0
5,355	5,355	0	0	0	0
157,583	159,520	(1,937)	0	0	0
0	0	0	0	0	0
0	0	0	310,000	310,000	0
0	0	0	167,773	167,773	0
<u>1,877,783</u>	<u>1,618,523</u>	<u>259,260</u>	<u>483,723</u>	<u>483,723</u>	<u>0</u>
4,889	(139,489)	(144,378)	(218,125)	(218,133)	(8)

(Continued)

East Holmes Local School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	----- General -----		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources (Uses):			
Payment to Refunded Debt	0	0	0
Proceeds of Refinancing Debt	0	0	0
Proceeds from Sale of Fixed Assets	9,455	9,455	0
Advances In	0	0	0
Advances Out	<u>(30,000)</u>	<u>(30,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(20,545)</u>	<u>(20,545)</u>	<u>0</u>
Excess of Revenues and Other Financing Uses Sources Over (Under) Expenditures and Other Financing Uses	472,096	411,116	(60,980)
Fund Balances Beginning of Year	1,854,012	1,854,012	0
Prior Year Encumbrances Appropriated	<u>409,276</u>	<u>409,276</u>	<u>0</u>
Fund Balances End of Year	<u>\$2,735,384</u>	<u>\$2,674,404</u>	<u>(\$60,980)</u>

----- Special Revenue -----			----- Debt Service -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	1,540,000	1,540,000	0
0	0	0	1,575,000	1,575,000	0
0	0	0	0	0	0
30,000	30,000	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>30,000</u>	<u>30,000</u>	<u>0</u>	<u>3,115,000</u>	<u>3,115,000</u>	<u>0</u>
34,889	(109,489)	(144,378)	2,896,875	2,896,867	(8)
203,236	203,236	0	362,948	362,948	0
<u>51,797</u>	<u>51,797</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$289,922</u>	<u>\$145,544</u>	<u>(\$144,378)</u>	<u>\$3,259,823</u>	<u>\$3,259,815</u>	<u>(\$8)</u>

(Continued)

East Holmes Local School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

----- Capital Projects -----			
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$189,666	\$189,552	(\$114)
Intergovernmental	15,347	15,347	0
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	205,013	204,899	(114)
Expenditures:			
Current:			
Instruction:			
Regular	175,933	124,593	51,340
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	4,756	4,756	0
Operation and Maintenance of Plant	2,929,217	5,550	2,923,667
Pupil Transportation	0	0	0
Central	4,500	4,500	0
Extracurricular Activities	0	0	0
Capital Outlay	419,138	426,456	(7,318)
Debt Service:			
Principal Retirement	27,000	27,000	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	3,560,544	592,855	2,967,689
Excess of Revenues Over (Under) Expenditures	(3,355,531)	(387,956)	2,967,575

----- Expendable Trust -----			Totals (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$6,275,153	\$6,225,030	(\$50,123)
0	0	0	5,525,342	5,129,060	(396,282)
0	0	0	273,501	299,882	26,381
0	0	0	279,828	279,828	0
0	0	0	12,941	13,226	285
0	0	0	276,590	269,670	(6,920)
3,821	3,821	0	4,496	4,496	0
<u>11,745</u>	<u>11,403</u>	<u>(342)</u>	<u>94,314</u>	<u>115,170</u>	<u>20,856</u>
<u>15,566</u>	<u>15,224</u>	<u>(342)</u>	<u>12,742,165</u>	<u>12,336,362</u>	<u>(405,803)</u>
0	0	0	5,036,587	5,136,801	(100,214)
0	0	0	1,657,518	1,467,511	190,007
0	0	0	286,073	276,390	9,683
0	0	0	90,800	62,191	28,609
0	0	0	439,557	429,065	10,492
0	0	0	396,537	371,211	25,326
0	0	0	20,327	19,434	893
0	0	0	994,976	947,694	47,282
0	0	0	329,891	317,567	12,324
0	0	0	4,459,347	1,479,693	2,979,654
0	0	0	771,887	796,291	(24,404)
13,903	13,806	97	94,436	98,157	(3,721)
0	0	0	262,121	262,968	(847)
0	0	0	471,798	479,115	(7,317)
0	0	0	0	0	0
0	0	0	337,000	337,000	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>167,773</u>	<u>167,773</u>	<u>0</u>
<u>13,903</u>	<u>13,806</u>	<u>97</u>	<u>15,816,628</u>	<u>12,648,861</u>	<u>3,167,767</u>
1,663	1,418	(245)	(3,074,463)	(312,499)	2,761,964

(Continued)

East Holmes Local School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	----- Capital Projects -----		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources (Uses):			
Payment to Refunded Debt	0	0	0
Proceeds of Refinancing Debt	3,136,000	3,136,000	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	3,136,000	3,136,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(219,531)	2,748,044	2,967,575
Fund Balances Beginning of Year	284,696	284,696	0
Prior Year Encumbrances Appropriated	8,841	8,841	0
Fund Balances End of Year	\$74,006	\$3,041,581	\$2,967,575

See accompanying notes to the general purpose financial statements

----- Expendable Trust -----			Totals (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	1,540,000	1,540,000	0
0	0	0	4,711,000	4,711,000	0
0	0	0	9,455	9,455	0
0	0	0	30,000	30,000	0
0	0	0	(30,000)	(30,000)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>6,260,455</u>	<u>6,260,455</u>	<u>0</u>
1,663	1,418	(245)	3,185,992	5,947,956	2,761,964
17,036	17,036	0	2,721,927	2,721,927	0
<u>1,288</u>	<u>1,288</u>	<u>0</u>	<u>471,202</u>	<u>471,202</u>	<u>0</u>
<u>\$19,987</u>	<u>\$19,742</u>	<u>(\$245)</u>	<u>\$6,379,121</u>	<u>\$9,141,085</u>	<u>\$2,761,964</u>

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East Holmes Local School District
Statement of Revenues, Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000

	Enterprise	Internal Service	Totals (Memorandum Only)

<u>Operating Revenues:</u>			
Sales	\$300,761	\$0	\$300,761
Charges for Service	0	699,151	699,151
Other Revenues	<u>5,992</u>	<u>2,121</u>	<u>8,113</u>
Total Operating Revenues	306,753	701,272	1,008,025
 <u>Operating Expenses:</u>			
Salaries	191,558	0	191,558
Fringe Benefits	69,955	0	69,955
Purchased Services	20,887	68,843	89,730
Materials and Supplies	18,948	42	18,990
Cost of Sales	177,573	0	177,573
Depreciation	16,706	0	16,706
Claims	0	514,947	514,947
Other	<u>1,676</u>	<u>0</u>	<u>1,676</u>
Total Operating Expenses	<u>497,303</u>	<u>583,832</u>	<u>1,081,135</u>
Operating Income (Loss)	<u>(190,550)</u>	<u>117,440</u>	<u>(73,110)</u>
 <u>Non-Operating Revenues:</u>			
Federal Donated Commodities	49,456	0	49,456
Interest Income	3,810	0	3,810
Operating Grants	<u>147,591</u>	<u>0</u>	<u>147,591</u>
Total Non-Operating Revenues	<u>200,857</u>	<u>0</u>	<u>200,857</u>
Net Income	10,307	117,440	127,747
Retained Earnings at Beginning of Year	<u>162,013</u>	<u>735,295</u>	<u>897,308</u>
Retained Earnings at End of Year	<u>\$172,320</u>	<u>\$852,735</u>	<u>\$1,025,055</u>

See accompanying notes to the general purpose financial statements.

East Holmes Local School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Equity
 Budget and Actual (Budget Basis) - All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2000

	Revised <u>Budget</u>	Actual <u>Actual</u>	Enterprise ----- Variance Favorable (Unfavorable)
Operating Revenues:			
Sales	\$321,220	\$300,761	(\$20,459)
Charges for Services	0	0	0
Other Revenues	5,992	5,992	0
Total Operating Revenues	<u>327,212</u>	<u>306,753</u>	<u>(20,459)</u>
Operating Expenses:			
Salaries	175,136	175,136	0
Fringe Benefits	60,680	60,680	0
Purchased Services	21,998	23,249	(1,251)
Materials and Supplies	172,815	162,405	10,410
Other	1,676	1,676	0
Capital Outlay	17,714	17,714	0
Total Operating Expenses	<u>450,019</u>	<u>440,860</u>	<u>9,159</u>
Operating Income (Loss)	(122,807)	(134,107)	(11,300)
Non-Operating Revenues:			
Interest	4,411	3,810	(601)
Federal and State Subsidies	151,796	151,796	0
Total Non-Operating Revenues	<u>156,207</u>	<u>155,606</u>	<u>(601)</u>
Excess of Revenues and Non-Operating Revenues Over Expenses	33,400	21,499	(11,901)
Fund Equity at Beginning of Year	75,227	75,227	0
Prior Year Encumbrances Appropriated	<u>19,601</u>	<u>19,601</u>	<u>0</u>
Fund Balances End of Year	<u>\$128,228</u>	<u>\$116,327</u>	<u>(\$11,901)</u>

Internal Service			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$321,220	\$300,761	(\$20,459)
699,879	699,151	(728)	699,879	699,151	(728)
<u>2,121</u>	<u>2,120</u>	<u>(1)</u>	<u>8,113</u>	<u>8,112</u>	<u>(1)</u>
702,000	701,271	(729)	1,029,212	1,008,024	(21,188)
0	0	0	175,136	175,136	0
486,779	444,703	42,076	547,459	505,383	42,076
97,689	97,673	16	119,687	120,922	(1,235)
42	42	0	172,857	162,447	10,410
0	0	0	1,676	1,676	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>17,714</u>	<u>17,714</u>	<u>0</u>
584,510	542,418	42,092	1,034,529	983,278	51,251
117,490	158,853	41,363	(5,317)	24,746	30,063
0	0	0	4,411	3,810	(601)
<u>0</u>	<u>0</u>	<u>0</u>	<u>151,796</u>	<u>151,796</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>156,207</u>	<u>155,606</u>	<u>(601)</u>
117,490	158,853	41,363	150,890	180,352	29,462
764,126	764,126	0	839,353	839,353	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>19,601</u>	<u>19,601</u>	<u>0</u>
<u>\$881,616</u>	<u>\$922,979</u>	<u>\$41,363</u>	<u>\$1,009,844</u>	<u>\$1,039,306</u>	<u>\$29,462</u>

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East Holmes Local School District
 Combined Statement of Cash Flows - All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2000

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows From (Used for) Operating Activities:</u>			
Cash Received from Customers	\$306,753	\$0	\$306,753
Cash Received from Quasi-External Transactions with Other Funds	0	701,271	701,271
Cash Payments to Suppliers for Goods and Services	(169,042)	(97,715)	(266,757)
Cash Payments to Employees for Services	(175,136)	0	(175,136)
Cash Payments for Employee Benefits	(60,680)	0	(60,680)
Cash Payments for Claims	<u>0</u>	<u>(444,703)</u>	<u>(444,703)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(98,105)</u>	<u>158,853</u>	<u>60,748</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	151,796	0	151,796
<u>Cash Flows from Capital Financing Activities</u>			
Payments for Capital Acquisition	(30,438)	0	(30,438)
<u>Investing Activities</u>			
Interest Income	<u>3,810</u>	<u>0</u>	<u>3,810</u>
Net Increase (Decrease) in Cash and Cash Equivalents	27,063	158,853	185,916
Cash and Cash Equivalents at Beginning of Year	<u>94,829</u>	<u>764,126</u>	<u>858,955</u>
Cash and Cash Equivalents at End of Year	<u>\$121,892</u>	<u>\$922,979</u>	<u>1,044,871</u>
<u>Reconciliation of Operating Income (Loss) to</u>			
<u>Net Cash Provided by (Used for) Operating Activities</u>			
Operating Income (Loss)	(\$190,550)	\$117,440	(\$73,110)
<u>Adjustments to Reconcile Operating Income (Loss) to</u>			
<u>Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	16,706	0	16,706
Donated Commodities Used During Year	49,456	0	49,456
<u>Changes in Assets and Liabilities:</u>			
Increase in Materials and Supplies Inventory	(171)	0	(171)
Increase in Accounts Payable	757	0	757
Increase in Accrued Wages and Benefits	2,111	0	2,111
Decrease in Compensated Absences Payable	1,451	0	1,451
Increase in Intergovernmental Payable	22,135	0	22,135
Increase in Claims Payable	<u>0</u>	<u>41,414</u>	<u>41,414</u>
Total Adjustments	<u>92,445</u>	<u>41,414</u>	<u>133,859</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$98,105)</u>	<u>\$158,854</u>	<u>\$60,749</u>

See accompanying notes to the general purpose financial statements.

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EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The East Holmes Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. East Holmes Local School District is a Local District as defined by Section 3313.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999 was 1,866. The District employed 154 certificated employees and 84 non-certificated employees.

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

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

The District is involved with Tri-County Computer Service Association (TCCSA) and Buckeye Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Governmental Fund Types

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

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Types (Continued)

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

Special Revenue Funds are used to account for the proceeds of specific revenues sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

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

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

Proprietary Fund Types

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

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Types (Continued)

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

Fiduciary Fund Types

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

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

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

Account Groups

The District maintains two account groups as described below:

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

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *DEPOSITS AND INVESTMENTS*

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

Following Ohio statutes, the Board of Education has, by resolution, specified the General Fund to receive allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$323,206, which includes \$188,469 assigned from other District funds.

C. *RECEIVABLES*

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Accounts receivable at June 30, 2000, consisted of a federal subsidy receivable in the enterprise fund and tournament expenses reimbursement in the special revenue funds.

D. *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 could differ from those estimates.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *INTERFUND ASSETS/LIABILITIES*

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

F. *INVENTORIES AND SUPPLIES*

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

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

G. *PREPAID ITEMS*

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditures/expense is reported in the year in which services are consumed.

H. *FIXED ASSETS AND DEPRECIATION*

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *FIXED ASSETS AND DEPRECIATION* (Continued)

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years. The capitalization threshold is \$500.

I. *ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS*

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

J. *INTERFUND TRANSACTIONS*

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

K. *COMPENSATED ABSENCES*

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *COMPENSATED ABSENCES* (Continued)

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

L. *FUND BALANCE RESERVES*

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

M. *INTERGOVERNMENTAL REVENUES*

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *INTERGOVERNMENTAL REVENUES (Continued)*

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

Entitlements

General Fund:

State Foundation Program
State Property Tax Relief
School Bus Purchase Allowance

Non-Reimbursable Grants

Special Revenue Funds:

Auxiliary Services
Education Management Information Systems
Ohio Reads Grant
American Sign Language Grant
School Reading Improvement
Safe Schools Grant
Eisenhower Grant
Title I
Title II
Title VI
Title VI-B
Title VI-R, Class Size Reduction
E-Rate Reimbursements
Continuous Improvement Grant
Drug-Free Schools
Teacher Development Block Grant

Capital Projects Funds:

SchoolNet

Reimbursable Grants

General Fund:

Driver Education

Enterprise Fund:

National School Lunch Program
Government Donated Commodities

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *INTERGOVERNMENTAL REVENUES (Continued)*

Grants and entitlements amounted to approximately 41% of the District's operating revenue during the 2000 fiscal year.

N. *TOTAL COLUMNS*

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

O. *RESTRICTED ASSETS*

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

NOTE 3 ACCOUNTABILITY AND COMPLIANCE

Fund Deficit

At June 30, 2000, the following funds had a deficit retained earnings: Title I - \$155,579; Title VI-B - \$1,591 and Classroom Reduction - \$8,316. Management is currently analyzing the operations of this fund to determine appropriate action to alleviate the deficit.

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *BUDGETARY PROCESS*

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. *BUDGETARY PROCESS* (Continued)

resources, as certified.

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

B. *BUDGETARY BASIS*

Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenues. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Expendable Trust Fund" do not include July 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. *BUDGETARY BASIS* (Continued)

Appropriations

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

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

Lapsing of Appropriations

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

Encumbrances

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Reporting

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

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

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Reporting (Continued)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Expendable Trust Fund</u>
GAAP Basis	\$ 770,142	\$(154,205)	\$(192,952)	\$ (188,678)	\$ 2,159
<i>Net Adjustments:</i>					
Revenue Accruals	175,111	(26,471)	9,818	3,572	0
Expenditure Accruals	189,280	30,000	0	41,834	(190)
Principal Retirement	0	0	(310,000)	3,136,000	0
Encumbrances	<u>(693,417)</u>	<u>(18,921)</u>	<u>0</u>	<u>(244,684)</u>	<u>(551)</u>
Budget Basis	<u>\$411,116</u>	<u>\$(109,489)</u>	<u>\$(183,133)</u>	<u>\$(2,748,044)</u>	<u>\$1,418</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Reporting (Continued)

	<u>Net Income/Excess of Revenues over Expenses</u>	
	<u>Reconciliation of GAAP Basis to Budget Basis</u>	
	<u>All Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$ 10,307	\$117,440
Net Adjustment for Expense Accruals	49	41,413
Depreciation Expense	16,706	0
Encumbrances	<u>(5,563)</u>	<u>0</u>
Budget Basis	<u>\$ 21,499</u>	<u>\$158,853</u>

NOTE 5 DEPOSITS AND INVESTMENTS

The East Holmes Local School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and cash equivalents." Cash held at fiscal year end in a segregated account for the Employee Benefit Self Insurance Fund was \$922,979. All benefit deposits are made to the Plan Administrator's Depository Account. Collateral is held by a qualified third-party trustee in the name of the District.

A. *LEGAL REQUIREMENTS*

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

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 5 DEPOSITS AND INVESTMENTS (Continued)

A. LEGAL REQUIREMENTS (Continued)

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

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

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 5 DEPOSITS AND INVESTMENTS (Continued)

LEGAL REQUIREMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

B. *DEPOSITS*

At year-end, the carrying amount of the East Holmes Local School District deposits was \$7,107,397 and the bank balance was \$8,411,117. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$8,211,117 was uninsured and uncollateralized. Although statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the District held deposits to a successful claim by the FDIC.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 5 DEPOSITS AND INVESTMENTS (Continued)

C. *INVESTMENTS*

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

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterpart is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository. As of June 30, the District's investments consisted of the State Treasurer's investment pool. The carrying value of these investments was \$985,406 and the fair value was \$985,406.

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 8,092,803	\$ 0
Investments which are part of cash management pool:		
STAR Ohio	<u>(985,406)</u>	<u>985,406</u>
GASB Statement No. 3	<u>\$ 7,107,397</u>	<u>\$ 985,406</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. *GENERAL FIXED ASSETS ACCOUNT GROUP*

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

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2000</u>
Land, Buildings and Improvements	\$ 8,018,791	\$ 283,119	\$ 0	\$ 8,301,910
Furniture and Equipment	2,576,324	220,361	367,308	2,429,377
Vehicles	1,329,280	125,530	255,165	1,199,645
Textbooks	<u>1,228,163</u>	<u>0</u>	<u>1,228,163</u>	<u>0</u>
	<u>\$13,152,558</u>	<u>\$ 629,010</u>	<u>\$1,850,636</u>	<u>\$11,930,932</u>

The Board of Education has established that textbooks are a continuous part of the education process and will be maintained as a rolling inventory as established by the textbook adoption committee. Therefore, textbooks are no longer included as fixed assets, but are accounted for each year by the building program for which the textbooks were purchased. Accordingly, \$1,228,163 of previously capitalized textbooks have been removed from the combined balance sheet.

B. *PROPRIETARY FUND TYPE FIXED ASSETS*

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

	<u>Balance</u> <u>June 30, 2000</u>
<u>Enterprise</u>	
Equipment	\$ 301,201
Less: accumulated depreciation	<u>(188,606)</u>
Net fixed assets	<u>\$ 112,595</u>

NOTE 7 DEFERRED REVENUE

Deferred revenue at year-end consisted of:

Property taxes receivable	\$ 6,383,779
Federal commodities, unused	<u>9,718</u>
	<u>\$ 6,393,497</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 8 GENERAL LONG-TERM DEBT

	<u>Outstanding</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u> <u>June 30, 2000</u>
Capital lease	\$ 13,942	\$ 0	\$ 7,624	\$ 6,318
Compensated absences payable	709,155	644,021	709,155	644,021
Intergovernmental payable	78,966	67,619	78,966	67,619
Notes payable	174,000	0	27,000	147,000
Bonds payable 6.65% - 7.70%	<u>1,750,000</u>	<u>1,575,000</u>	<u>1,850,000</u>	<u>1,475,000</u>
	<u>\$ 2,726,063</u>	<u>\$2,286,640</u>	<u>\$ 2,672,745</u>	<u>\$ 2,339,958</u>

On September 9, 1999, the District issued \$1,575,000 in general obligation bonds with interest rates varying from 3.80% to 5.10%. Net proceeds were used to retire \$1,575,000 of the outstanding general obligations bonds. This amount included proceeds of \$1,542,692, along with \$32,308 of Debt Service Fund money. An analysis of this information follows:

	<u>General Obligation Bonds</u>
Outstanding at 06/30/99	\$1,750,000
Principal Payment 12/1/99	<u>(175,000)</u>
Amount Retired	<u>\$ 1,575,000</u>

The District decreased its total debt service payments by \$279,490 as a result of the current refunding. The District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$225,307.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 8 GENERAL LONG-TERM DEBT (Continued)

The annual requirement to amortize all bonds and notes outstanding as of June 30, 2000, including interest payments of \$380,494, are as follows:

Year Ending June 30,	2001	\$3,563,469
	2002	286,170
	2003	277,320
	2004	253,519
	2005	209,898
	Thereafter	<u>548,118</u>
	Total	<u>\$5,138,494</u>

Notes payable bear a 0% interest rate and are for the purchase of land.

NOTE 9 NOTE DEBT

The District's note activity, including amounts outstanding, interest rates and the purpose for which the note was issued is as follows:

	<u>Outstanding</u> <u>06/30/99</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding</u> <u>06/30/00</u>
Capital Project Funds:				
4.80% Permanent Improvement	\$0	\$3,136,000	\$0	\$3,136,000

The note is backed by the full faith and credit of the District and mature within one year. The note liability is reflected in the fund which received the proceeds and which will repay the debt. The note is generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

NOTE 10 CAPITALIZED LEASE OBLIGATION

The East Holmes Local School District is obligated under an equipment lease accounted for as a capital lease. The leased asset and related obligation are accounted for in the General Fixed Asset Account Group and the General Long-Term Obligations Account Group, respectively. The assets under capital lease totaled \$44,482 at June 30, 2000. The lease is in effect through fiscal year 2001.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 10 CAPITALIZED LEASE OBLIGATION (Continued)

The following schedule of future minimum lease payments under capital lease together with the net present value of the minimum lease payments as of June 30, 2000.

Year Ending June 30, 2001	\$6,624
Less: Amount representing interest	<u>(306)</u>
Net present value of minimum lease payments	<u>\$6,318</u>

NOTE 11 PROPERTY TAXES

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

Real property taxes collected in 2000 were based on assessed values equal to thirty-five percent of appraisal value. The Holmes and Wayne County Auditors reappraise real property every six years with a triennial update, with the last update completed for the tax year 1998 for Holmes County and 1999 for Wayne County. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Holmes and Wayne Counties, real property taxes are billed semi-annually, one year in arrears. The full tax rate applied to real property tax (calendar) year 1999 was \$26.40 for Holmes and Wayne per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$23.516 for Holmes and Wayne Counties per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$23.760 for Holmes and Wayne Counties per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible property for the tax (calendar) year 1999 was \$26.40 for Holmes and Wayne Counties per \$1,000 of assessed valuation.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 11 PROPERTY TAXES (Continued)

The property valuation consisted of:

	<u>Holmes</u>	<u>Wayne</u>
Real Property		
Residential/Agricultural	\$176,664,050	\$ 674,170
Commercial/Industrial	36,423,730	0
Public Utilities	1,980	0
Mineral	1,159,760	0
 Tangible Personal Property		
General	52,901,850	6,980
Public Utilities	<u>8,661,180</u>	<u>5,710</u>
 Total Valuation	<u>\$275,812,550</u>	<u>\$ 686,860</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amounts available to the District as an advance at June 30, 2000, were \$106,990 from Holmes County and \$406 from Wayne County.

NOTE 12 RISK MANAGEMENT

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 12 RISK MANAGEMENT (Continued)

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

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

The claims liability of \$70,244 reported in the fund at June 30, 2000, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
June 30, 2000	\$28,830	\$486,117	\$444,703	\$70,244
June 30, 1999	\$51,779	\$459,398	\$482,347	\$28,830

NOTE 13 DEFINED BENEFIT PENSION PLANS

A. *SCHOOL EMPLOYEES RETIREMENT SYSTEM*

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer 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 tot 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.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements For the Year Ended June 30, 2000 (Continued)

NOTE 13 DEFINED BENEFIT PENSION (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 5.5 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$94,666, \$106,487 and \$141,362, respectively; 54.8 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal year 1999 and 1998. \$42,818, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. *STATE TEACHERS RETIREMENT SYSTEM*

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State 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 43215-3371.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$340,344, \$314,395 and \$530,280, respectively; 83.3 percent has been contributed for fiscal year 2000, and 100 percent for the fiscal year 1999 and 1998. \$56,724 representing the unpaid contribution for fiscal year 2000, is recorded as a liability withing the respective funds.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements For the Year Ended June 30, 2000 (Continued)

NOTE 14 POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District this amount equaled \$453,792 during fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contributions is allocated to providing health care benefits. For this fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the District, the amount to fund healthcare benefits, including surcharge, equaled \$168,224 during the 2000 fiscal year.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 14 POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 15 SEGMENT INFORMATION

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

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Total Enterprise</u>
Operating revenues	\$300,940	\$ 5,813	\$306,753
Operating expenses			
Salaries	191,558	0	191,558
Fringe benefits	69,955	0	69,955
Purchased services	20,887	0	20,887
Cost of Sales	169,246	8,327	177,573
Depreciation	16,706	0	16,706
Other operating expenses	<u>1,676</u>	<u>0</u>	<u>1,676</u>
Total operating expenses	<u>488,976</u>	<u>8,327</u>	<u>497,303</u>
Operating loss	(188,036)	(2,514)	(190,550)
Non-operating revenues (net)	<u>200,857</u>	<u>0</u>	<u>200,857</u>
Net income (loss)	<u>\$ 12,821</u>	<u>\$ (2,514)</u>	<u>\$ 10,307</u>
Net working capital	<u>\$ 46,627</u>	<u>\$ 13,098</u>	<u>\$ 59,725</u>
Fixed assets, net	<u>\$112,595</u>	<u>\$ 0</u>	<u>\$ 112,595</u>
Total assets	<u>\$247,911</u>	<u>\$14,911</u>	<u>\$262,822</u>
Total equity	<u>\$159,222</u>	<u>\$13,098</u>	<u>\$172,320</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements For the Year Ended June 30, 2000 (Continued)

NOTE 16 NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$49,456.

NOTE 17 CONTINGENCIES

GRANTS

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District at June 30, 2000.

NOTE 18 SCHOOL FUNDING ISSUE

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in 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, 2000, the District received \$3,306,433 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered and opinion on this issue. The Court concluded, "... the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant{ing} further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 18 SCHOOL FUNDING ISSUE (Continued)

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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.

NOTE 19 STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (GAAP basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance, July 1, 1999	\$ 0	\$ 0	\$ 48,817	\$ 48,817
Required Set-Aside	220,696	220,696	24,748	466,140
Additional Set-Aside	0	0	10,485	10,485
Offset Credits	0	(204,898)	0	(204,898)
Qualifying Expenditures	<u>(236,015)</u>	<u>(194,948)</u>	<u>0</u>	<u>(430,963)</u>
Balance, June 30, 2000	<u>\$ (15,319)</u>	<u>\$ (179,150)</u>	<u>\$ 84,050</u>	<u>\$(110,419)</u>
Cash Balance, June 30, 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,050</u>	<u>\$ 84,050</u>
Balance Carried Forward to Use in Fiscal Year 2001	<u>\$ 15,319</u>	<u>\$ 179,150</u>	<u>\$ 10,485</u>	<u>\$204,954</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000
(Continued)

NOTE 20 JOINTLY GOVERNED ORGANIZATIONS

A. *TRI-COUNTY COMPUTER SERVICE ASSOCIATION (TCCSA)*

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

B. *BUCKEYE CAREER CENTER (Career Center)*

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The Board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of the State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and measurable equity interest exists.

EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>EXPENDITURES</u>	<u>NON-CASH EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
(Passed Through Ohio Department of Education)						
Title I - Grants to Local Educational Agencies	C1-S1-99 C1-S1-99C C1-S1-00	84.010	\$ 54,680 145,319 <u>625,014</u>		\$ 158,971 145,320 <u>650,806</u>	
Total Title I			<u>825,013</u>		<u>955,097</u>	
Title VI-B - Special Education Grants to States	6B-SF-99P 6B-SF-00P	84.027	5,778 <u>72,395</u>		8,460 <u>62,042</u>	
Total Title VI-B			<u>78,173</u>		<u>70,502</u>	
Innovative Education Program Strategies	C2-S1-00	84.298	89,580		81,598	
Goals 2000 - State and Local Education Systemic Improvement	G2-A2-00	84.276			14,250	
Title VI	C2-S1-99C C2-S1-00	84.151	1,276 <u>9,533</u>		3,943 <u>8,933</u>	
Total Title VI			<u>10,809</u>		<u>12,876</u>	
Eisenhower Professional Development	MS-S1-2000P MS-S1-00	84.168	21,968 <u>13,809</u>		<u>10,836</u>	
Total Eisenhower Professional Development			<u>35,777</u>		<u>10,836</u>	
Total U.S. Department of Education			<u>1,039,352</u>		<u>1,145,159</u>	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
(Passed Through Ohio Department of Education)						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$ 49,456		\$ 57,195
National School Lunch Program	N/A	10.555	<u>145,961</u>		<u>145,961</u>	
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>145,961</u>	<u>49,456</u>	<u>145,961</u>	<u>57,195</u>
Total			<u>\$ 1,185,313</u>	<u>\$ 49,456</u>	<u>\$ 1,291,120</u>	<u>\$ 57,195</u>

**EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the general purpose financial statements of East Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 28, 2000, in which we noted the District changed its method of accounting and reporting for certain fixed assets. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 28, 2000.

Internal Control Over Financial Reporting

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

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

However, we noted other matters involving the internal control over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 28, 2000.

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

Jim Petro
Auditor of State

November 28, 2000



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OFFICE OF THE AUDITOR

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

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

To the Board of Education:

Compliance

We have audited the compliance of East Holmes Local School District, Holmes County, Ohio, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

November 28, 2000

**EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

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

JUNE 30, 2000

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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EAST HOLMES LOCAL SCHOOL DISTRICT

HOLMES COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 02, 2001**