



**EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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 the East Holmes Local School District, Holmes County, Ohio, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 during the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2001, 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.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for 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. We subjected this information 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

December 7, 2001

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East Holmes Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	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	\$3,331,565	\$363,804	\$218,568	\$1,822,923
Receivables:				
Taxes	6,436,634	0	553,763	209,020
Intergovernmental	10,303	253,559	0	0
Accrued Interest	8,092	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	93,460	0	0	0
Prepaid Items	14,484	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
Total Assets and Other Debits	\$9,894,538	\$617,363	\$772,331	\$2,031,943

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long- Term Obligations	
\$124,113	\$903,805	\$25,886	\$0	\$0	\$6,790,664
0	0	0	0	0	7,199,417
0	0	0	0	0	263,862
0	0	0	0	0	8,092
15,220	0	0	0	0	15,220
252	0	0	0	0	93,712
0	0	0	0	0	14,484
117,962	0	0	15,067,367	0	15,185,329
0	0	0	0	237,953	237,953
0	0	0	0	5,043,273	5,043,273
<u>\$257,547</u>	<u>\$903,805</u>	<u>\$25,886</u>	<u>\$15,067,367</u>	<u>\$5,281,226</u>	<u>\$34,852,006</u>

East Holmes Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$189,266	\$3,437	\$0	\$11,032
Accrued Wages and Benefits Payable	774,149	125,959	0	0
Compensated Absences Payable	21,432	0	0	0
Intergovernmental Payable	184,544	28,920	0	0
Deferred Revenue	6,211,323	50,000	534,378	201,703
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	7,380,714	208,316	534,378	212,735
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings, Unreserved (Deficit)	0	0	0	0
<u>Fund Balance:</u>				
Reserved for Prepays	14,484	0	0	0
Reserved for Encumbrances	478,579	59,224	0	1,630,337
Reserved for Inventory	93,460	0	0	0
Reserved for Taxes	225,311	0	19,385	7,317
Unreserved, Undesignated	1,701,990	349,823	218,568	181,554
Total Fund Equity and Other Credits	2,513,824	409,047	237,953	1,819,208
Total Liabilities, Fund Equity and Other Credits	\$9,894,538	\$617,363	\$772,331	\$2,031,943

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long- Term Obligations	
\$1,908	\$0	\$12	\$0	\$0	\$205,655
27,585	0	0	0	0	927,693
17,186	0	0	0	681,720	720,338
38,883	0	0	0	68,506	320,853
13,318	0	0	0	0	7,010,722
0	0	16,123	0	0	16,123
0	0	0	0	120,000	120,000
0	68,987	0	0	0	68,987
0	0	0	0	4,411,000	4,411,000
<u>98,880</u>	<u>68,987</u>	<u>16,135</u>	<u>0</u>	<u>5,281,226</u>	<u>13,801,371</u>
0	0	0	15,067,367	0	15,067,367
158,667	834,818	0	0	0	993,485
0	0	0	0	0	14,484
0	0	0	0	0	2,168,140
0	0	0	0	0	93,460
0	0	0	0	0	252,013
0	0	9,751	0	0	2,461,686
<u>158,667</u>	<u>834,818</u>	<u>9,751</u>	<u>15,067,367</u>	<u>0</u>	<u>21,050,635</u>
<u>\$257,547</u>	<u>\$903,805</u>	<u>\$25,886</u>	<u>\$15,067,367</u>	<u>\$5,281,226</u>	<u>\$34,852,006</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, 2001

	General	Special Revenue	Debt Service
	-----	-----	-----
<u>Revenues:</u>			
Taxes	\$6,094,752	\$0	\$392,492
Intergovernmental	3,925,341	1,379,157	36,379
Interest	325,231	0	91,083
Tuition and Fees	291,650	5,596	0
Rent	16,055	0	0
Extracurricular Activities	0	263,303	0
Gifts and Donations	0	4,475	0
Miscellaneous	103,461	10,478	0
Total Revenues	10,756,490	1,663,009	519,954
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,881,482	233,440	0
Special	737,030	844,854	0
Vocational	300,525	0	0
Other	76,560	0	0
Support Services:			
Pupils	221,087	218,111	0
Instructional Staff	362,357	40,616	0
Board of Education	17,786	0	0
Administration	895,735	136,635	0
Fiscal	304,435	10,000	8,887
Operation of Maintenance of Plant	1,317,052	0	0
Pupil Transportation	768,623	0	0
Central	84,726	5,485	0
Extracurricular Activities	94,731	117,101	0
Capital Outlay	770,389	0	0
Debt Service - Principal	6,318	0	200,000
Debt Service - Interest and Fiscal Charges	306	0	256,407
Total Expenditures	10,839,142	1,606,242	465,294
Excess of Revenues Over (Under) Expenditures	(82,652)	56,767	54,660

Capital Projects	Expendable Trust	Totals (Memorandum Only)
-----	-----	-----
\$200,831	\$0	\$6,688,075
54,812	0	5,395,689
118,437	0	534,751
0	0	297,246
0	0	16,055
0	0	263,303
0	1,490	5,965
0	11,858	125,797
<u>374,080</u>	<u>13,348</u>	<u>13,326,881</u>
74,133	0	5,189,055
0	0	1,581,884
0	0	300,525
0	0	76,560
0	0	439,198
0	0	402,973
0	0	17,786
0	0	1,032,370
4,863	0	328,185
1,315,020	0	2,632,072
0	0	768,623
0	13,796	104,007
0	0	211,832
383,634	0	1,154,023
27,000	0	233,318
0	0	256,713
<u>1,804,650</u>	<u>13,796</u>	<u>14,729,124</u>
(1,430,570)	(448)	(1,402,243)

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, 2001

	General	Special Revenue	Debt Service
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	1,194	0
Proceeds from Sale of Bonds	0	0	0
Proceeds from Sale of Fixed Assets	11,000	0	0
Total Other Financing Sources (Uses)	11,000	1,194	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(71,652)	57,961	54,660
Increase (Decrease) in Reserve for Inventory	(1,957)	0	0
Fund Balances Beginning of Year	2,587,433	351,086	183,293
Fund Balances End of Year	\$2,513,824	\$409,047	\$237,953

See accompanying notes to the general purpose financial statements

Capital Projects	Expendable Trust	Totals (Memorandum Only)
-----	-----	-----
0	0	1,194
3,136,000	0	3,136,000
0	0	11,000
<u>3,136,000</u>	<u>0</u>	<u>3,148,194</u>
1,705,430	(448)	1,745,951
0	0	(1,957)
<u>113,778</u>	<u>10,199</u>	<u>3,245,789</u>
<u><u>\$1,819,208</u></u>	<u><u>\$9,751</u></u>	<u><u>\$4,989,783</u></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, 2001

	----- General -----		
	<u>Revised Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$5,974,136	\$5,970,349	(\$3,787)
Intergovernmental	3,990,000	3,915,038	(74,962)
Interest	368,500	368,469	(31)
Tuition and Fees	301,000	291,650	(9,350)
Rent	20,000	16,055	(3,945)
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	121,000	103,461	(17,539)
Total Revenues	<u>10,774,636</u>	<u>10,665,022</u>	<u>(109,614)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,893,044	4,930,235	(37,191)
Special	728,565	737,232	(8,667)
Vocational	299,373	299,886	(513)
Other	77,000	76,560	440
Support Services:			
Pupils	220,371	236,807	(16,436)
Instructional Staff	385,212	400,143	(14,931)
Board of Education	21,800	19,316	2,484
Administration	888,505	891,181	(2,676)
Fiscal	309,622	308,225	1,397
Operation and Maintenance of Plant	984,254	1,426,396	(442,142)
Pupil Transportation	760,746	813,677	(52,931)
Central	87,850	84,726	3,124
Extracurricular Activities	115,275	111,925	3,350
Capital Outlay	1,040,200	1,058,912	(18,712)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>10,811,817</u>	<u>11,395,221</u>	<u>(583,404)</u>
Excess of Revenues Over (Under) Expenditures	(37,181)	(730,199)	(693,018)

----- Special Revenue -----			----- Debt Service -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$378,500	\$376,586	(\$1,914)
1,661,852	1,550,664	(111,188)	37,000	36,379	(621)
0	0	0	95,000	91,083	(3,917)
6,630	5,596	(1,034)	0	0	0
0	0	0	0	0	0
278,295	266,832	(11,463)	0	0	0
4,775	4,475	(300)	0	0	0
12,150	10,478	(1,672)	0	0	0
<u>1,963,702</u>	<u>1,838,045</u>	<u>(125,657)</u>	<u>510,500</u>	<u>504,048</u>	<u>(6,452)</u>
288,690	257,143	31,547	0	0	0
997,984	860,472	137,512	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
223,215	220,397	2,818	0	0	0
107,369	41,212	66,157	0	0	0
0	0	0	0	0	0
155,546	138,015	17,531	0	0	0
10,000	10,000	0	8,900	8,887	13
0	0	0	0	0	0
4,714	0	4,714	0	0	0
24,482	24,482	0	0	0	0
129,045	120,763	8,282	0	0	0
0	0	0	0	0	0
0	0	0	3,336,000	3,336,000	0
0	0	0	257,311	256,407	904
<u>1,941,045</u>	<u>1,672,484</u>	<u>268,561</u>	<u>3,602,211</u>	<u>3,601,294</u>	<u>917</u>
22,657	165,561	142,904	(3,091,711)	(3,097,246)	(5,535)

(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, 2001

	----- General -----		
	<u>Revised Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Other Financing Sources (Uses):			
Operating Transfers In	\$25,459	\$0	(\$25,459)
Proceeds from Sale of Bonds	0	0	0
Proceeds from Sale of Fixed Assets	11,000	11,000	0
Advances In	30,000	30,000	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	<u>66,459</u>	<u>41,000</u>	<u>(25,459)</u>
Excess of Revenues and Other Financing Sources Over (Under)			
Expenditures and Other Financing Uses	29,278	(689,199)	(718,477)
Fund Balances Beginning of Year	2,684,915	2,684,915	
Prior Year Encumbrances Appropriated	<u>692,915</u>	<u>692,915</u>	<u> </u>
Fund Balances End of Year	<u>\$3,407,108</u>	<u>\$2,688,631</u>	<u>(\$718,477)</u>

----- Special Revenue -----			----- Debt Service -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,245	\$1,194	\$51	\$0	\$0	\$0
0	0	0	3,136,000	3,136,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
30,000	30,000	0	0	0	0
<u>(28,755)</u>	<u>(28,806)</u>	<u>(51)</u>	<u>3,136,000</u>	<u>3,136,000</u>	<u>0</u>
(6,098)	136,755	142,853	44,289	38,754	(5,535)
145,544	145,544		179,814	179,814	
18,921	18,921		0	0	
<u>\$158,367</u>	<u>\$301,220</u>	<u>\$142,853</u>	<u>\$224,103</u>	<u>\$218,568</u>	<u>(\$5,535)</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, 2001

	----- Capital Projects -----		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Taxes	\$200,500	\$196,523	(\$3,977)
Intergovernmental	113,444	54,812	(58,632)
Interest	100,000	97,804	(2,196)
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	<u>413,944</u>	<u>349,139</u>	<u>(64,805)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	148,783	87,727	61,056
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	5,000	4,861	139
Operation and Maintenance of Plant	2,978,667	2,965,606	13,061
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	193,000	391,623	(198,623)
Debt Service:			
Principal Retirement	27,000	27,000	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>3,352,450</u>	<u>3,476,817</u>	<u>(124,367)</u>
Excess of Revenues Over (Under) Expenditures	(2,938,506)	(3,127,678)	(189,172)

----- Expendable Trust -----			Totals ----- (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$6,553,136	\$6,543,458	(\$9,678)
0	0	0	5,802,296	5,556,893	(245,403)
0	0	0	563,500	557,356	(6,144)
0	0	0	307,630	297,246	(10,384)
0	0	0	20,000	16,055	(3,945)
0	0	0	278,295	266,832	(11,463)
4,500	1,490	(3,010)	9,275	5,965	(3,310)
11,150	11,858	708	144,300	125,797	(18,503)
<u>15,650</u>	<u>13,348</u>	<u>(2,302)</u>	<u>13,678,432</u>	<u>13,369,602</u>	<u>(308,830)</u>
0	0	0	5,330,517	5,275,105	55,412
0	0	0	1,726,549	1,597,704	128,845
0	0	0	299,373	299,886	(513)
0	0	0	77,000	76,560	440
0	0	0	443,586	457,204	(13,618)
0	0	0	492,581	441,355	51,226
0	0	0	21,800	19,316	2,484
0	0	0	1,044,051	1,029,196	14,855
0	0	0	333,522	331,973	1,549
0	0	0	3,962,921	4,392,002	(429,081)
0	0	0	765,460	813,677	(48,217)
15,856	14,124	1,732	128,188	123,332	4,856
0	0	0	244,320	232,688	11,632
0	0	0	1,233,200	1,450,535	(217,335)
0	0	0	3,363,000	3,363,000	0
0	0	0	257,311	256,407	904
<u>15,856</u>	<u>14,124</u>	<u>1,732</u>	<u>19,723,379</u>	<u>20,159,940</u>	<u>(436,561)</u>
(206)	(776)	(570)	(6,044,947)	(6,790,338)	(745,391)

(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, 2001

	----- Capital Projects -----		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources (Uses):			
Operating Transfers In	\$0	\$0	\$0
Proceeds from Sale of Bonds	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under)			
Expenditures and Other Financing Uses	(2,938,506)	(3,127,678)	(189,172)
Fund Balances Beginning of Year	3,041,580	3,041,580	
Prior Year Encumbrances Appropriated	<u>244,683</u>	<u>244,683</u>	
Fund Balances End of Year	<u><u>\$347,757</u></u>	<u><u>\$158,585</u></u>	<u><u>(\$189,172)</u></u>

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	\$26,704	\$1,194	\$25,510
0	0	0	3,136,000	3,136,000	0
0	0	0	11,000	11,000	0
0	0	0	30,000	30,000	0
10,011	0	10,011	10,011	0	10,011
0	0	0	30,000	30,000	0
<u>(10,011)</u>	<u>0</u>	<u>10,011</u>	<u>3,163,693</u>	<u>3,148,194</u>	<u>15,499</u>
(10,217)	(776)	9,441	(2,881,254)	(3,642,144)	(760,890)
9,731	9,731		6,061,584	6,061,584	
551	551		957,070	957,070	
<u>\$65</u>	<u>\$9,506</u>	<u>\$9,441</u>	<u>\$4,137,400</u>	<u>\$3,376,510</u>	<u>(\$760,890)</u>

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East Holmes Local School District
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001

	Enterprise -----	Internal Service -----	Totals (Memorandum Only) -----
<u>Operating Revenues:</u>			
Sales	\$298,163	\$0	\$298,163
Charges for Service	0	754,707	754,707
Other Revenues	1,278	0	1,278
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	299,441	754,707	1,054,148
 <u>Operating Expenses:</u>			
Salaries	190,636	0	190,636
Fringe Benefits	68,536	0	68,536
Purchased Services	24,321	125,174	149,495
Materials and Supplies	12,851	0	12,851
Cost of Sales	212,148	0	212,148
Capital Outlay	742	0	742
Depreciation	9,554	0	9,554
Claims	0	647,450	647,450
Other	2,369	0	2,369
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	521,157	772,624	1,293,781
Operating (Loss)	<hr/> (221,716)	<hr/> (17,917)	<hr/> (239,633)
 <u>Non-Operating Revenues:</u>			
Federal Donated Commodities	57,034	0	57,034
Interest Income	4,320	0	4,320
Operating Grants	147,751	0	147,751
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	209,105	0	209,105
Net (Loss)	(12,611)	(17,917)	(30,528)
Loss on Disposal of Assets	(1,042)	0	(1,042)
Retained Earnings at Beginning of Year	172,320	852,735	1,025,055
	<hr/>	<hr/>	<hr/>
Retained Earnings at End of Year	<u>\$158,667</u>	<u>\$834,818</u>	<u>\$993,485</u>

See accompanying notes to the general purpose financial statements.

East Holmes Local School District
 Combined Statement of Revenues, Expenses and Changes in Fund Equity
 Budget and Actual (Budget Basis) - All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001

	----- Enterprise -----		
	<u>Revised Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Operating Revenues:			
Sales	\$299,150	\$298,163	(\$987)
Charges for Services	0	0	0
Other Revenues	<u>1,750</u>	<u>1,278</u>	<u>(472)</u>
Total Operating Revenues	<u>300,900</u>	<u>299,441</u>	<u>(1,459)</u>
Operating Expenses:			
Salaries	186,954	186,299	655
Fringe Benefits	67,150	66,343	807
Purchased Services	28,239	24,609	3,630
Materials and Supplies	188,006	171,423	16,583
Other	2,450	2,369	81
Capital Outlay	<u>16,950</u>	<u>16,705</u>	<u>245</u>
Total Operating Expenses	<u>489,749</u>	<u>467,748</u>	<u>22,001</u>
Operating Income (Loss)	(188,849)	(168,307)	20,542
Non-Operating Revenues and Expenses:			
Interest	4,500	4,320	(180)
Federal and State Subsidies	<u>164,500</u>	<u>164,056</u>	<u>(444)</u>
Total Non-Operating Revenues and Expenses	<u>169,000</u>	<u>168,376</u>	<u>(624)</u>
Excess of Revenues and Other Over (Under) Expenses and Other	(19,849)	69	19,918
Fund Balances at Beginning of Year	116,327	116,327	
Prior Year Encumbrances Appropriated	<u>5,563</u>	<u>5,563</u>	
Fund Balances End of Year	<u>\$102,041</u>	<u>\$121,959</u>	<u>\$19,918</u>

----- Internal Service -----			Totals ----- (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$299,150	\$298,163	(\$987)
760,000	754,707	(5,293)	760,000	754,707	(5,293)
0	0	0	1,750	1,278	(472)
<u>760,000</u>	<u>754,707</u>	<u>(5,293)</u>	<u>1,060,900</u>	<u>1,054,148</u>	<u>(6,752)</u>
0	0	0	186,954	186,299	655
650,275	648,707	1,568	717,425	715,050	2,375
127,000	125,175	1,825	155,239	149,784	5,455
0	0	0	188,006	171,423	16,583
0	0	0	2,450	2,369	81
0	0	0	16,950	16,705	245
<u>777,275</u>	<u>773,882</u>	<u>3,393</u>	<u>1,267,024</u>	<u>1,241,630</u>	<u>25,394</u>
(17,275)	(19,175)	(1,900)	(206,124)	(187,482)	18,642
0	0	0	4,500	4,320	(180)
0	0	0	164,500	164,056	(444)
<u>0</u>	<u>0</u>	<u>0</u>	<u>169,000</u>	<u>168,376</u>	<u>(624)</u>
(17,275)	(19,175)	(1,900)	(37,124)	(19,106)	18,018
922,979	922,979		1,039,306	1,039,306	
0	0		5,563	5,563	
<u>\$905,704</u>	<u>\$903,804</u>	<u>(\$1,900)</u>	<u>\$1,007,745</u>	<u>\$1,025,763</u>	<u>\$18,018</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, 2001

	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	\$299,441	\$0	\$299,441
Cash Received from Quasi-External Transactions with Other Funds	0	754,707	754,707
Cash Payments to Suppliers for Goods and Services	(196,990)	(125,175)	(322,165)
Cash Payments to Employees for Services	(186,299)	0	(186,299)
Cash Payments for Employee Benefits	(66,343)	0	(66,343)
Cash Payments for Claims	0	(648,707)	(648,707)
Net Cash Used for Operating Activities	(150,191)	(19,175)	(169,366)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	164,056	0	164,056
<u>Cash Flows from Capital Financing Activities</u>			
Payments for Capital Acquisition	(15,963)	0	(15,963)
<u>Investing Activities</u>			
Interest Income	4,320	0	4,320
Net Increase (Decrease) in Cash and Cash Equivalents	2,222	(19,175)	(16,953)
Cash and Cash Equivalents at Beginning of Year	121,891	922,980	1,044,871
Cash and Cash Equivalents at End of Year	\$124,113	\$903,805	\$1,027,918
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</u>			
Operating (Loss)	(\$221,716)	(\$17,918)	(\$239,634)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>			
Depreciation	9,554	0	9,554
Donated Commodities Used During Year	57,034	0	57,034
<u>Changes in Assets and Liabilities:</u>			
Decrease in Materials and Supplies Inventory	159	0	159
Decrease in Accounts Payable	(1,752)	0	(1,752)
Increase in Accrued Wages and Benefits	1,462	0	1,462
Increase in Compensated Absences Payable	2,875	0	2,875
Increase in Intergovernmental Payable	2,193	0	2,193
Decrease in Claims Payable	0	(1,257)	(1,257)
Total Adjustments	71,525	(1,257)	70,268
Net Cash Used for Operating Activities	(\$150,191)	(\$19,175)	(\$169,366)

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, 2001

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, 2000 was 1,884. The District employed 161 certificated employees and 88 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 19.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounts of the 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:

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Types

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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:

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.

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.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Types

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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.

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:

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:

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.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. *DEPOSITS AND INVESTMENTS*

For purposes of the statement of cash flows, the district considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administrative purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, debt service fund, capital improvement 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 2001 amounted to \$325,231, which includes \$159,363 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, 2001, 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.

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.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2001, 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.

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 the estimated useful lives; equipment, 5-20 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 judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases and long-term loans are reported as 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.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, long-term advances to other funds, contributions to the nonexpendable trust funds that must be kept intact, and HB412 reserves such as textbooks and instructional materials and capital improvements. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. *INTERGOVERNMENTAL REVENUES*

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

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

Entitlements

General Fund:

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allowance

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. INTERGOVERNMENTAL REVENUES (Continued)

Non-Reimbursable Grants

Special Revenue Funds:

- Auxiliary Services
- Teacher Development Block Grants
- Education Management Information Systems
- SchoolNet Professional Development
- ONEnet
- Ohio Reads Grant
- American Sign Language Grant
- School Reading Improvement
- Safe Schools Grant
- Proficiency Incentive Awards
- Eisenhower Grant
- Title I
- Title II
- Title VI
- Title VI-B
- Title VI-R, Class Size Reduction
- Drug-Free Schools

Capital Projects Funds:

- SchoolNet
- Interactive Video Distance Learning Grant

Reimbursable Grants

Enterprise Fund:

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 42% of the District's operating revenue during the 2001 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.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 3 CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the District has implemented GASB Statement No, 33, "Accounting and Financial Reporting for Nonexchange Transactions."

This change in accounting principle and an error resulting in an understatement of intergovernmental receivables had the following effect on the Special Revenue fund balance at June 30, 2000:

	<u>Special Revenue Funds</u>
Fund Balance, June 30, 2000	\$(23,980)
Understatement of Intergovernmental Receivable	300,000
Implementation of GASB 33	<u>75,066</u>
Restated Fund Balance, July 1, 2000	<u>\$ 351,086</u>

The above changes had the following effect on excess (loss) of revenues and other financing sources over (under) expenditures and other financing uses for the fiscal year ended June 30, 2000:

	<u>Special Revenue Funds</u>
Loss as Previously Reported	\$(154,205)
Understatement of Intergovernmental Revenue	<u>300,000</u>
Restated Excess for the Fiscal Year Ended June 30, 2000	<u>\$ 145,795</u>

Prior to 2001, interest was incorrectly posted to the Expendable Trust fund. The correction of this error had the following net effect on fund balances as previously reported at June 30, 2000:

	<u>Balance Previously Reported</u>	<u>Restatement</u>	<u>Restated Balance June 30, 2000</u>
General Fund	\$2,577,422	\$ 10,011	\$2,587,433
Expendable Trust	\$ 20,210	\$(10,011)	\$ 10,199

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

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 resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund level within each fund. 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-All Governmental Fund Types and Expendable Trust Fund (Non-GAAP Budgetary Basis)" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

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 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.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. BUDGETARY BASIS (Continued)

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

Budgetary Reporting

While reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual-All Governmental Fund Types and Expendable Trust Fund (Non-GAAP Budgetary Basis)" 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).

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. BUDGETARY BASIS (Continued)

- 5) The District repays debt from the debt service fund (budget non-GAAP basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

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

	<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	\$(71,652)	\$ 57,961	\$ 54,660	\$ 1,705,430	\$(448)
<i>Net Adjustments:</i>					
Revenue Accruals	(91,468)	175,036	(15,906)	(24,941)	0
Expenditure Accruals	146,142	(33,658)	3,336,000	(3,139,798)	(83)
Principal Retirement	(6,318)	0	(3,336,000)	(27,000)	0
Encumbrances	<u>(665,903)</u>	<u>(62,584)</u>	<u>0</u>	<u>(1,641,369)</u>	<u>(245)</u>
Budget Basis	<u>\$(689,199)</u>	<u>\$136,755</u>	<u>\$ 38,754</u>	<u>\$(3,127,678)</u>	<u>\$(776)</u>

Net Income/Excess of Revenues over Expenses
Reconciliation of Budget Basis to GAAP Basis
All Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$(12,611)	\$(17,917)
Net Adjustment for Revenue Accruals	(40,729)	0
Net Adjustment for Expense Accruals	46,007	(1,258)
Depreciation Expense	9,554	0
Encumbrances	<u>(2,152)</u>	<u>0</u>
Budget Basis	<u>\$ 69</u>	<u>\$(19,175)</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

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 equivalents." The amount held at fiscal year end for the Employee Benefit Self Insurance Fund was \$903,805.

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.

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 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 5 DEPOSITS AND INVESTMENTS (Continued)

A. *LEGAL REQUIREMENTS (Continued)*

- 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
- 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 \$4,017,677 and the bank balance was \$7,205,602. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$7,005,602 was uninsured and uncollateralized. Although statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District held deposits to a successful claim by the FDIC.

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 and Deferred Compensation are not categorized since they are not evidenced by securities that exist in physical or book entry form.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 5 DEPOSITS AND INVESTMENTS (Continued)

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterpart is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository. As of June 30, the District's investments consisted of the State Treasurer's investment pool. The carrying value of these investments was \$2,772,987 and the market value was \$2,772,987.

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	\$ 6,790,664	\$ 0
Investments which are part of cash management pool:		
STAR Ohio	<u>(2,772,987)</u>	<u>2,772,987</u>
 GASB Statement No. 3	 <u>\$ 4,017,677</u>	 <u>\$ 2,772,987</u>

NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

1. *GENERAL FIXED ASSETS ACCOUNT GROUP*

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

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2001</u>
Land, Buildings and Improvements	\$ 8,301,910	\$ 4,327	\$ 0	\$ 8,306,237
Furniture and Equipment	2,429,377	142,104	67,452	2,504,029
Vehicles	1,199,645	214,834	158,400	1,256,079
Construction in Progress	<u>0</u>	<u>3,001,022</u>	<u>0</u>	<u>3,001,022</u>
	<u>\$11,930,932</u>	<u>\$3,362,287</u>	<u>\$ 225,852</u>	<u>\$15,067,367</u>

2. *PROPRIETARY FUND TYPE FIXED ASSETS*

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

	<u>Balance June 30, 2001</u>
<u>Enterprise</u>	
Equipment	\$ 306,745
Less: accumulated depreciation	<u>(188,783)</u>
Net fixed assets	<u>\$ 117,962</u>

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 7 DEFERRED REVENUE

Deferred revenue at year-end consisted of:

Property taxes receivable	\$ 6,947,404
Federal commodities, unused	13,318
Intergovernmental Receivable	<u>50,000</u>
 Total Deferred Revenue	 \$ <u>7,010,722</u>

NOTE 8 GENERAL LONG-TERM OBLIGATIONS

	<u>Outstanding June 30, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2001</u>
Capital lease	\$ 6,318	\$ 0	\$ 6,318	\$ 0
Compensated absences payable	644,021	681,720	644,021	681,720
Intergovernmental payable	67,619	68,506	67,619	68,506
Notes payable	147,000	0	27,000	120,000
Bonds payable 6.65% - 7.70%	<u>1,475,000</u>	<u>3,136,000</u>	<u>200,000</u>	<u>4,411,000</u>
	<u>\$2,339,958</u>	<u>\$3,886,226</u>	<u>\$ 944,958</u>	<u>\$ 5,281,226</u>

The annual requirement to amortize all bonds and notes outstanding as of June 30, 2001, including interest payments of \$2,295,936 are as follows:

Year Ending June 30,	2002	\$ 556,722
	2003	543,848
	2004	518,896
	2005	504,900
	2006	460,624
	Thereafter	<u>4,241,946</u>
	Total	<u>\$6,826,936</u>

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 June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2001</u>
Capital Projects Fund: 4.80% Permanent Improvement Note	\$3,136,000	\$ 0	\$3,136,000	\$ 0

This note was backed by the full faith and credit of the District and matured within one year. The note liability was reflected in the fund which received the proceeds and which will repay the debt. The note was issued in anticipation of long-term bond financing.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements For the Year Ended June 30, 2001

NOTE 10 PROPERTY TAXES

Property taxes include amount 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 value equal to 35 percent of appraisal value. The Holmes and Wayne County Auditors reappraise real property every six years with a triennial update, which last update was completed for the tax year 2001 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 2000 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 2000 was \$26.40 for Holmes and Wayne Counties per \$1,000 of assessed valuation.

The property valuation consisted of:

	Holmes	Wayne
Real Property		
Residential/Agricultural	\$ 183,984,200	\$ 695,140
Commercial/Industrial/Mineral	39,243,430	0
Public Utilities	2,060	0
Tangible Personal Property		
General	57,870,890	5,250
Public Utilities	8,590,790	18,050
Total Valuation	\$ 289,691,370	\$ 718,440

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2001. 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, 2001, were \$248,285 from Holmes County and \$3,728 from Wayne County.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 11 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.

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

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 \$68,987 reported in the fund at June 30, 2001, 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 <u>Year</u>	<u>Claims</u>	<u>Payments</u>	Balance at End of <u>Year</u>
June 30, 2001	\$ 70,244	\$647,450	\$648,707	\$ 68,987
June 30, 2000	\$ 28,830	\$486,117	\$444,703	\$ 70,244

NOTE 12 DEFINED BENEFIT PENSION PLANS

1. *SCHOOL EMPLOYEES RETIREMENT SYSTEM*

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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, 2001

NOTE 12 **DEFINED BENEFIT PENSION PLANS (Continued)**

1. *SCHOOL EMPLOYEES RETIREMENT SYSTEM (Continued)*

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$74,647, \$94,666 and \$106,487 respectively; 52.6 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$35,374, representing the unpaid portion for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

2. *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. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salary and the District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For the fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$574,609, \$340,344 and \$314,395, respectively; 82.3 percent has been contributed for fiscal year 2001, and 100 percent for the fiscal year 2000 and 1999. \$101,723, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 13 **POSTEMPLOYMENT BENEFITS**

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

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements For the Year Ended June 30, 2001

NOTE 13 POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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. For the fiscal year ended June 30, 2001, the STRS board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$272,183 during fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from 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 2001, the minimum pay was established at \$12,400. For the District, the amount to fund healthcare benefits, including surcharge, equaled \$190,880 during the 2001 fiscal year.

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, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 14 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	\$293,145	\$ 6,296	\$299,441
Operating expenses			
Salaries	190,636	0	190,636
Fringe benefits	68,536	0	68,536
Purchased services	24,321	0	24,321
Cost of Sales	221,154	3,845	224,999
Depreciation	9,554	0	9,554
Other operating expenses	<u>3,111</u>	<u>0</u>	<u>3,111</u>
Total operating expenses	<u>517,312</u>	<u>3,845</u>	<u>521,157</u>
Operating loss	(224,167)	2,451	(221,716)
Non-operating revenues (net)	<u>209,105</u>	<u>0</u>	<u>209,105</u>
Net income (loss)	<u>\$(15,062)</u>	<u>\$ 2,451</u>	<u>\$(12,611)</u>
Net working capital	<u>\$ 25,156</u>	<u>\$ 15,549</u>	<u>\$ 40,705</u>
Fixed assets, net	<u>\$117,962</u>	<u>\$ 0</u>	<u>\$117,962</u>
Total assets	<u>\$240,398</u>	<u>\$ 17,149</u>	<u>\$257,547</u>
Total equity	<u>\$143,118</u>	<u>\$ 15,549</u>	<u>\$158,667</u>

NOTE 15 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 \$57,034.

NOTE 16 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, 2001.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements For the Year Ended June 30, 2001

NOTE 17 **SCHOOL FUNDING ISSUE**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distributions is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 28, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

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

NOTE 18 **STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves.

During fiscal year 2001, the state legislature determined that the budget reserve set-aside was no longer a requirement for school districts. In accordance with guidelines set forth, the funds in this set-aside were transferred to the general fund portion of the Hiland Addition and Renovation project.

EAST HOLMES LOCAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 18 STATUTORY RESERVES (Continued)

During the fiscal year ended June 30, 2001, the reserve activity (GAAP basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, July 1, 2000	\$ 0	\$ 0	\$ 84,050	\$ 84,050
Required Set-Aside	236,061	236,061	77,991	550,113
Offset	0	(195,535)	0	(195,535)
Qualifying Expenditures	<u>(244,767)</u>	<u>(1,201,019)</u>	<u>(162,041)</u>	<u>(1,607,827)</u>
Balance, June 30, 2001	<u>\$(8,706)</u>	<u>\$(1,160,493)</u>	<u>\$ 0</u>	<u>\$(1,169,199)</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years.

NOTE 19 JOINTLY GOVERNED ORGANIZATIONS

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

TCCSA is a jointly governed organization comprised of 22 school district, 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

Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001

NOTE 20 ACCOUNTABILITY AND COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (B) which requires that no subdivision or taxing unit is to expend money unless it has been appropriated, the District had expenditures which exceeded appropriations in various funds.

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EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH ENTITY NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
U.S. DEPARTMENT OF EDUCATION (Passed Through Ohio Department of Education)						
Title I	C1-S1-00 C1-S1-00C C1-S1-01	84.010	\$ 230,576 144,490 750,104		\$ 234,784 144,490 643,209	
Total Title I			1,125,170		1,022,483	
Title VI-B	6B-SF-00P 6B-SF-01P	84.027	3,090 80,850		13,443 67,640	
Total Title VI-B			83,940		81,083	
Innovative Education Program Strategies	C2-S1-00 C2-S1-01	84.298	9,496 105,863		17,477 93,964	
Total Innovative Education Program Strategies			115,359		111,441	
Class Size Reduction	C2-S1-00C C2-S1-00	84.340	0 8,887		600 8,887	
Total Class Size Reduction			8,887		9,487	
Safe & Drug Free Schools & Communities State Grant		84.186	7,466		0	
Eisenhower Professional Development Grant	MS-S1-2000P MS-S1-00 MS-S1-01	84.168	0 2,300 15,796		21,968 5,273 6,460	
Total Eisenhower Grant			18,096		33,701	
Total U.S. Department of Education			1,358,918		1,258,195	
U.S. DEPARTMENT OF AGRICULTURE (Passed Through Ohio Department of Education)						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$60,628		\$57,029
National School Lunch Program	N/A	10.555	157,795		157,795	
Total U.S. Department of Agriculture - Child Nutrition Cluster			157,795	60,628	157,795	57,029
Total			\$ 1,516,713	\$ 60,628	\$ 1,415,990	\$ 57,029

**EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

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, 2001, 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, 2001, and have issued our report thereon dated December 7, 2001, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-10938-001.

We also noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 7, 2001.

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 December 7, 2001.

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

December 7, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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, 2001. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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, 2001.

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

December 7, 2001

**EAST HOLMES LOCAL SCHOOL DISTRICT
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number 2001-10938-001

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Budgetary expenditures (cash disbursement plus encumbrances) exceeded appropriations within the following funds and at the following dates:

<u>Fund</u>	<u>Month/Year</u>	<u>Over Expended</u>
300	December 31, 2000	\$17,424
018	January 31, 2001	43,333
024	June 30, 2001	41,607
451	June 30, 2001	8,500

The Treasurer should frequently compare cash disbursements plus outstanding encumbrances to appropriations at the Fund level to avoid potential overspending.

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
DECEMBER 27, 2001**