



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, Ohio 44804-9714

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Arcadia Local School District (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 Arcadia Local School District, as of June 30, 2001, and the results of its operations and the cash flows of its enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3 to the financial statements the District changed its method of accounting for fixed assets during fiscal year 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2002 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 5, 2002

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**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$550,863	\$31,532	\$49,618
Cash and Cash Equivalents with Fiscal Agents	1,013	5,033	
Receivables:			
Property Taxes	1,695,693		57,935
Accounts	2,654	586	
Intergovernmental	247		
Prepaid Items	31,824	2,416	
Inventory Held for Resale			
Materials and Supplies Inventory	9,905		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	25,000		
Fixed Assets (net, where applicable, of accumulated depreciation)			
Other Debits:			
Amount to be Provided from General Governmental Resources			
	\$2,317,199	\$39,567	\$107,553
Total Assets and Other Debits			

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
	\$18,544			\$650,557
				6,046
				1,753,628
				3,240
				247
\$257				34,497
1,727				1,727
208				10,113
				25,000
12,694		\$1,733,924		1,746,618
			\$301,469	301,469
\$14,886	\$18,544	\$1,733,924	\$301,469	\$4,533,142

(Continued)

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, FUND EQUITY, AND OTHER CREDITS:			
Liabilities:			
Accounts Payable	\$1,313	\$85	
Accrued Wages and Benefits	398,278		
Compensated Absences Payable	2,154		
Intergovernmental Payable	72,716	161	\$2,363
Deferred Revenue	1,602,709		54,960
Undistributed Assets			
Due to Students			
Matured Bonds Payable	1,000		
Matured Interest Payable	13		
Capital Leases Payable			
	2,078,183	246	57,323
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved (Deficit)			
Contributed Capital			
Fund Balance:			
Reserved for Property Taxes	94,882		2,975
Reserved for Inventory	9,905		
Reserved for Textbooks	5,866		
Reserved for Capital Improvements	6,335		
Reserved for Budget Stabilization	12,799		
Reserved for Encumbrances	33,076	8,834	24,373
Unreserved	76,153	30,487	22,882
	239,016	39,321	50,230
Total Liabilities, Fund Equity, and Other Credits	\$2,317,199	\$39,567	\$107,553

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
				\$1,398
\$10,006				408,284
9,655			\$262,026	273,835
9,045			37,057	121,342
1,396				1,659,065
	\$81			81
	18,463			18,463
				1,000
				13
			2,386	2,386
<u>30,102</u>	<u>18,544</u>		<u>301,469</u>	<u>2,485,867</u>
		\$1,733,924		1,733,924
(102,539)				(102,539)
87,323				87,323
				97,857
				9,905
				5,866
				6,335
				12,799
				66,283
				129,522
<u>(15,216)</u>		<u>1,733,924</u>		<u>2,047,275</u>
<u>\$14,886</u>	<u>\$18,544</u>	<u>\$1,733,924</u>	<u>\$301,469</u>	<u>\$4,533,142</u>

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues:				
Property Taxes	\$1,705,881		\$57,863	\$1,763,744
Intergovernmental	1,647,492	\$142,933	37,223	1,827,648
Interest	51,344		4,961	56,305
Tuition and Fees	474,015			474,015
Extracurricular Activities		78,429		78,429
Gifts and Donations	6,514	13,738		20,252
Miscellaneous	11,105	1,005		12,110
Total Revenues	3,896,351	236,105	100,047	4,232,503
Expenditures:				
Current:				
Instruction:				
Regular	1,895,573	17,891	8,363	1,921,827
Special	321,274	27,856		349,130
Vocational	185,595			185,595
Support Services:				
Pupils	139,200	75,409		214,609
Instructional Staff	131,574	13,740		145,314
Board of Education	26,099			26,099
Administration	387,241	7,771		395,012
Fiscal	121,283	100	1,195	122,578
Operation and Maintenance of Plant	380,944	2,771	17,927	401,642
Pupil Transportation	254,737	551	7,292	262,580
Central	1,644	1,369		3,013
Non-Instructional Services	150			150
Extracurricular Activities	113,150	81,868		195,018
Capital Outlay	8,291		101,369	109,660
Debt Service:				
Principal Retirement		2,261		2,261
Interest and Fiscal Charges		256		256
Total Expenditures	3,966,755	231,843	136,146	4,334,744
Excess of Revenues Over (Under) Expenditures	(70,404)	4,262	(36,099)	(102,241)
Other Financing Uses:				
Operating Transfers Out	(7,176)			(7,176)
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	(77,580)	4,262	(36,099)	(109,417)
Fund Balances at Beginning of Year	316,309	35,059	86,329	437,697
Increase in Reserve for Inventory	287			287
Fund Balances at End of Year	\$239,016	\$39,321	\$50,230	\$328,567

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

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual Comparison
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,640,633	\$1,706,975	\$66,342
Intergovernmental	1,666,000	1,647,295	(18,705)
Interest	36,500	51,344	14,844
Tuition and Fees	466,400	475,685	9,285
Extracurricular Activities			
Gifts and Donations	5,500	6,514	1,014
Miscellaneous	5,300	2,228	(3,072)
Total Revenues	3,820,333	3,890,041	69,708
Expenditures:			
Current:			
Instruction:			
Regular	1,941,389	1,909,097	32,292
Special	396,144	331,004	65,140
Vocational	253,962	196,357	57,605
Support Services:			
Pupils	131,001	128,662	2,339
Instructional Staff	134,910	126,827	8,083
Board of Education	27,459	27,445	14
Administration	386,059	385,896	163
Fiscal	124,010	121,183	2,827
Operation and Maintenance of Plant	402,526	396,643	5,883
Pupil Transportation	268,471	254,400	14,071
Central	2,319	1,644	675
Non-Instructional Services	1,825	150	1,675
Extracurricular Activities	126,165	112,530	13,635
Capital Outlay	8,338	8,338	
Total Expenditures	4,204,578	4,000,176	204,402
Excess of Expenditures Over Revenues	(384,245)	(110,135)	274,110
Other Financing Sources (Uses):			
Sale of Fixed Assets	500		(500)
Refund of Prior Year Expenditures	2,000	8,121	6,121
Refund of Prior Year Receipts	(300)		300
Operating Transfers Out	(7,176)	(7,176)	
Total Other Financing Sources (Uses)	(4,976)	945	5,921
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(389,221)	(109,190)	280,031
Fund Balances at Beginning of Year	546,429	546,429	
Prior Year Encumbrances Appropriated	102,069	102,069	
Fund Balances at End of Year	\$259,277	\$539,308	\$280,031

(Continued)

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual Comparison
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)**

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes			
Intergovernmental	\$111,082	\$111,442	\$360
Interest			
Tuition and Fees			
Extracurricular Activities	73,450	77,937	4,487
Gifts and Donations	13,500	13,738	238
Miscellaneous	1,005	1,005	
Total Revenues	199,037	204,122	5,085
Expenditures:			
Current:			
Instruction:			
Regular	24,506	24,506	
Special	23,854	23,854	
Vocational			
Support Services:			
Pupils	63,712	63,712	
Instructional Staff	4,184	4,184	
Board of Education			
Administration	2,830	2,830	
Fiscal			
Operation and Maintenance of Plant	2,771	2,771	
Pupil Transportation	440	440	
Central	2,170	2,170	
Non-Instructional Services			
Extracurricular Activities	95,250	87,204	8,046
Capital Outlay			
Total Expenditures	219,717	211,671	8,046
Excess of Expenditures Over Revenues	(20,680)	(7,549)	13,131
Other Financing Sources (Uses):			
Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Operating Transfers Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(20,680)	(7,549)	13,131
Fund Balances at Beginning of Year	13,721	13,721	
Prior Year Encumbrances Appropriated	16,526	16,526	
Fund Balances at End of Year	\$9,567	\$22,698	\$13,131

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

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$55,478	\$58,033	\$2,555	\$1,696,111	\$1,765,008	\$68,897
37,017	37,223	206	1,814,099	1,795,960	(18,139)
1,500	4,961	3,461	38,000	56,305	18,305
			466,400	475,685	9,285
			73,450	77,937	4,487
			19,000	20,252	1,252
			6,305	3,233	(3,072)
93,995	100,217	6,222	4,113,365	4,194,380	81,015
63,109	63,010	99	2,029,004	1,996,613	32,391
			419,998	354,858	65,140
			253,962	196,357	57,605
			194,713	192,374	2,339
2,700	2,693	7	141,794	133,704	8,090
			27,459	27,445	14
			388,889	388,726	163
1,300	1,195	105	125,310	122,378	2,932
40,497	36,780	3,717	445,794	436,194	9,600
27,785	27,347	438	296,696	282,187	14,509
			4,489	3,814	675
10,300	10,161	139	12,125	10,311	1,814
			221,415	199,734	21,681
19,798	19,375	423	28,136	27,713	423
165,489	160,561	4,928	4,589,784	4,372,408	217,376
(71,494)	(60,344)	11,150	(476,419)	(178,028)	298,391
			500		(500)
			2,000	8,121	6,121
			(300)		300
			(7,176)	(7,176)	
			(4,976)	945	5,921
(71,494)	(60,344)	11,150	(481,395)	(177,083)	304,312
33,220	33,220		593,370	593,370	
50,005	50,005		168,600	168,600	
\$11,731	\$22,881	\$11,150	\$280,575	\$584,887	\$304,312

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Equity
Enterprise Fund
For the Fiscal Year Ended June 30, 2001**

Operating Revenues:	
Sales	\$129,166
Operating Expenses:	
Salaries	72,898
Fringe Benefits	20,805
Purchased Services	4,619
Materials and Supplies	4,099
Cost of Sales	76,889
Depreciation	648
Total Operating Expenses	179,958
Operating Loss	(50,792)
Non-Operating Revenues:	
Federal Donated Commodities	9,499
Operating Grants	24,270
Interest	14
Total Non-Operating Revenues	33,783
Loss Before Operating Transfers	(17,009)
Operating Transfers In	7,176
Net Loss	(9,833)
Retained Earnings (Deficit) at Beginning of Year (Restated Note 4)	(92,706)
Retained Earnings (Deficit) at End of Year	(102,539)
Contributed Capital at Beginning of Year	84,823
Contributed from Other Funds	2,500
Contributed Capital at End of Year	87,323
Total Fund Equity (Deficit) at End of Year	(\$15,216)

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

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual Comparison
Enterprise Fund
For the Fiscal Year Ended June 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$129,521	\$129,247	(\$274)
Operating Grants	24,000	24,270	270
Interest	10	14	4
	<u>153,531</u>	<u>153,531</u>	
Expenses:			
Salaries	69,845	69,845	
Fringe Benefits	18,276	18,276	
Purchased Services	4,619	4,619	
Materials and Supplies	71,519	71,519	
	<u>164,259</u>	<u>164,259</u>	
Excess of Expenses Over Revenues	(10,728)	(10,728)	
Operating Transfers In	7,176	7,176	
Excess of Expenses Over Revenues and Transfers	(3,552)	(3,552)	
Fund Balances at Beginning of Year	<u>3,552</u>	<u>3,552</u>	
Fund Balances at End of Year	<u><u> </u></u>	<u><u> </u></u>	

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

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2001**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$129,247
Cash Payments for Salaries	(69,845)
Cash Payments for Fringe Benefits	(18,276)
Cash Payments for Goods and Services	(76,138)
	(35,012)
Net Cash Used for Operating Activities	(35,012)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	24,270
Cash Received from Operating Transfers In	7,176
	31,446
Net Cash Provided by Noncapital Financing Activities	31,446

Cash Flows from Investing Activities:

Cash Received from Interest	14
	14

Net Decrease in Cash and Cash Equivalents	(3,552)
Cash and Cash Equivalents at Beginning of Year	3,552
	(3,552)

Cash and Cash Equivalents at End of Year

(3,552)

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

Operating Loss	(\$50,792)
----------------	------------

**Adjustments to Reconcile Operating Loss
to Net Cash Used for Operating Activities:**

Depreciation	648
Donated Commodities Used During Year	9,499
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	81
Decrease in Prepaid Items	232
Increase in Inventory Held for Resale	(11)
Increase in Materials and Supplies Inventory	(19)
Decrease in Accrued Wages and Benefits	(172)
Increase in Compensated Absences Payable	2,535
Increase in Intergovernmental Payable	2,987
	2,987

Net Cash Used for Operating Activities **(\$35,012)**

Non-Cash Capital Financing Activities

During fiscal year 2001, the Permanent Improvement capital projects fund purchased fixed assets, in the amount of \$2,500, and donated them to the Food Service enterprise fund.

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

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Arcadia Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and/or federal guidelines.

The School District was established in 1937. The School District serves an area of approximately seventy-two square miles and is located in Hancock and Seneca Counties. The School District is the 585th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-four classified employees, forty-five certified teaching personnel, and four administrative employees who provide services to 645 students and other community members. The School District currently operates an elementary/middle/high school.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career Cooperative Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund and Trust, and NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 18 and 19 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Arcadia Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. For the School District, this consists of agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds.

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the enterprise fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the

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For the Fiscal Year Ended June 30, 2001
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resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. 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 appropriation 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 legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level within the General Fund and at the fund level in all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level in the General Fund, and at the function and object level within all other funds are made by the School District Treasurer.

The Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are flow through grants in which the Hancock County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain

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taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hancock County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the function level of expenditures in the General Fund and the fund level of expenditures within all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Hancock County Educational Service Center, consistent with statutory provisions.

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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise fund.

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Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

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

Cash and cash equivalents held for the School District by the Hancock County Educational Service Center and Sky Bank, who services the School District's bond and coupon payments, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 2001, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 was \$51,344, which included \$3,618 from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. 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 purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventory in the governmental funds is stated at cost while inventory in the enterprise fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise fund consists of donated and purchased food and is expensed when used.

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For the Fiscal Year Ended June 30, 2001
(Continued)**

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, for the acquisition and construction of capital improvements, and to create a reserve for budget stabilization.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to the enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of eight to twenty years.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

J. 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, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities

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**Notes to the General-Purpose Financial Statements
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in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Capital leases are reported as a liability in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise fund are reported as liabilities in the fund.

K. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise fund have been classified as retained earnings.

L. Fund Balance Reserves

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

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

M. Interfund Transactions

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

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

N. Estimates

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

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O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2001.

For fiscal year 2001, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$300 to \$1,000. The School District also no longer capitalizes textbooks, library books, or computer equipment.

NOTE 4 - RESTATEMENT OF FUND EQUITY

Fixed assets and accumulated depreciation in the Food Service enterprise fund decreased due to the change in threshold amount for capitalizing fixed assets. Fixed assets decreased \$12,513, from \$82,568 to \$70,055, and accumulated depreciation decreased \$10,428, from \$69,641 to \$59,213. As a result of the restatement, retained earnings as previously reported as of June 30, 2000, decreased \$2,085 from (\$90,621) to (\$92,706).

The fixed assets reported in the general fixed assets account group decreased \$1,031,683 from \$2,729,386 to \$1,697,703.

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the Food Service enterprise fund had deficit retained earnings of \$102,539, which was the result of accumulated operating losses from prior years.

B. Compliance

The Summer Intervention special revenue fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001, in the amount of \$360.

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NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	(\$77,580)	\$4,262	(\$36,099)
<u>Increase (Decrease) Due To:</u>			
Revenue Accruals:			
Accrued FY 2000, Received in Cash FY 2001	97,696	94	3,145
Accrued FY 2001, Not Yet Received in Cash	(95,885)	(586)	(2,975)
Expenditure Accruals:			
Accrued FY 2000, Paid in Cash FY 2001	(462,732)	(606)	(41)
Accrued FY 2001, Not Yet Paid in Cash	474,461	246	2,363
Prepaid Items	(8,595)	(1,916)	
Excess of Revenues Over Expenditures for Nonbudgeted Funds		(209)	
Encumbrances Outstanding at Year End (Budget Basis)	(36,555)	(8,834)	(26,737)
Budget Basis	(109,190)	(7,549)	(60,344)

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Net Loss/Excess of Revenues Under Expenses and Transfers Enterprise Fund	
GAAP Basis	(\$9,833)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	81
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(23,356)
Accrued FY 2001, Not Yet Paid in Cash	28,706
Prepaid Items	232
Inventory Held for Resale	(11)
Materials and Supplies Inventory	(19)
Depreciation Expense	648
Budget Basis	(3,552)

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;

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3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

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

At fiscal year end, the School District had \$5,033 in cash and cash equivalents held by the Hancock County Educational Service Center, which is included on the balance sheet as part of the "Cash and Cash Equivalent with Fiscal Agents". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was (\$2,796) and the bank balance was \$66,128. The entire bank balance was covered by federal depository insurance.

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

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evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$679,366.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$681,603	
Cash and Cash Equivalents with Educational Service Center	(5,033)	
Investments:		
STAR Ohio	(679,366)	\$679,366
GASB Statement No. 3	(\$2,796)	\$679,366

NOTE 8 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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The School District receives property taxes from Hancock and Seneca Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. 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 fiscal year operations and is recognized as revenue at year end. The receivable is 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, 2001, was \$94,882 in the General Fund and \$2,975 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$95,976 in the General Fund and \$3,145 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$38,187,840	65.77%	\$38,548,860	62.23%
Industrial/Commercial	4,572,070	7.87%	5,510,420	8.90%
Public Utility	12,686,330	21.85%	14,809,920	23.90%
Tangible Personal	2,619,293	4.51%	3,079,263	4.97%
Total Assessed Value	\$58,065,533	100.00%	\$61,948,463	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.45		\$37.13	

NOTE 9 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (student fees and billings for user charged services), and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$3,240. An intergovernmental receivable, in the amount of \$247, was recorded in the General Fund for a reimbursement.

NOTE 10 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$72,555
Less Accumulated Depreciation	(59,861)
Net Fixed Assets	\$12,694

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2001</u>
Land and Improvements	\$88,803			\$88,803
Buildings and Improvements	787,577			787,577
Furniture, Fixtures, and Equipment	440,738	\$3,791	\$5,807	438,722
Vehicles	380,585	60,527	22,290	418,822
Totals	<u>\$1,697,703</u>	<u>\$64,318</u>	<u>\$28,097</u>	<u>\$1,733,924</u>

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted for the following insurance coverage:

Coverage provided by Utica National Insurance is as follows:

Blanket Coverage (Buildings and Contents/Boiler and Machinery, Inland Marine, Employee Dishonesty, and Commercial Crime)	\$15,000,000
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Coverage provided by Nationwide Insurance is as follows:

Automobile Liability	\$2,000,000
Uninsured Motorists	2,000,000
Medical Payments - per person	5,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

The School District participates in the Hancock County Schools Health Benefit Fund and Trust (the Trust), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The School District pays monthly premiums to the Trust for employee medical, dental, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2001, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan.

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Arcadia Workers' Compensation Services provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$184,477, \$112,600, and \$104,412, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$31,323, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$21,630, \$27,743, and \$36,467, respectively; 38 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

fiscal year 2001, in the amount of \$13,363, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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 classified 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the 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 \$87,384.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

For the 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 has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$65,079 for fiscal year 2001.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one-hundred eighty days for all school personnel. Upon retirement, payment is made for three-tenths of their accrued, but unused sick leave credit to a maximum of fifty-four days.

B. Health Care Benefits

The School District provides medical, dental, and life insurance to all employees through the Hancock County Schools Health Benefit Fund and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/2000	Additions	Reductions	Balance at 6/30/2001
Compensated Absences Payable	\$246,621	\$15,405		\$262,026
Intergovernmental Payable	38,578	37,057	38,578	37,057
Capital Leases Payable	4,647		2,261	2,386
Total General Long-Term Obligations	\$289,846	\$52,462	\$40,839	\$301,469

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the Public School Support special revenue fund.

The School District's overall debt margin was \$5,575,362 with an unvoted debt margin of \$61,948 at June 30, 2001.

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures on the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements. General fixed assets consisting of equipment have been capitalized in the general fixed assets account group, in the amount of \$13,791. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 were \$2,261 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30,</u>	<u>GLTDAG</u>
2002	\$2,517
Less Amount Representing Interest	<u>(131)</u>
Present Value of Minimum Lease Payments	<u><u>\$2,386</u></u>

NOTE 17 - SET ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	\$5,710	\$14,577	\$51,241
Current Year Set Aside Requirement	82,015	82,015	
Legislative Reduction			(38,442)
Current Year Offsets		(58,758)	
Qualifying Expenditures	<u>(81,859)</u>	<u>(31,499)</u>	
Balance June 30, 2001	<u><u>\$5,866</u></u>	<u><u>\$6,335</u></u>	<u><u>\$12,799</u></u>

Total reserve balance for the set asides at the end of the fiscal year was \$25,000.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Career Center

The Millstream Cooperative Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Pam Barber, who serves as Treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

C. Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

NOTE 19 - INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund and Trust

The Hancock County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Committee and payment of the monthly premiums. Financial information can be obtained from Tim Smith, who serves as Director, 545 Pearl Street, Bowling Green, Ohio, 43402.

B. NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 20 - CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

NOTE 21 - STATE SCHOOL FUNDING DECISION

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 distribution 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.

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. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

**ARCADIA LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



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

Arcadia Local School District
Hancock County
19033 State Route 12
Arcadia, Ohio 44804-9714

To the Board of Education:

We have audited the financial statements of the Arcadia Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 5, 2002, in which we disclosed the District changed its method of accounting for fixed assets. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the District in a separate letter dated December 5, 2002.

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. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 5, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

December 5, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ARCADIA LOCAL SCHOOL DISTRICT

HANCOCK 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 31, 2002**