



**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



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

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**STATE OF OHIO**



**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - All Governmental Fund Types .....	6
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types .....	7
Combined Statement of Revenue, Expenses, and Changes in Fund Equity - Proprietary Fund Type .....	10
Combined Statement of Revenue, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type .....	11
Combined Statement of Cash Flows - Proprietary Fund Type .....	12
Notes to the General Purpose Financial Statements .....	13
Schedule of Federal Awards Receipts and Expenditures .....	35
Notes to Schedule of Federal Awards Receipts and Expenditures .....	36
Report of Independent Accountants on Compliance and on Internal Controls Required by <i>Government Auditing Standards</i> .....	37
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	39
Schedule of Findings - <i>OMB Circular A-133 §.505</i> .....	41
Schedule of Prior Audit Findings - <i>OMB Circular A-133 §.315 (b)</i> .....	42

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

Fort Frye Local School District  
Washington County  
500 Fifth Street  
P.O. Box 1149  
Beverly, Ohio 45715

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fort Frye Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

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

**Jim Petro**  
Auditor of State

October 20, 2000

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**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$865,441	\$95,999	\$129,637	\$27,402
Receivables:				
Taxes	4,082,270	0	289,872	0
Accounts	3,435	375	0	200
Intergovernmental	13,775	0	25,459	14,622
Interfund	25,702	0	0	0
Prepaid Items	8,770	0	0	0
Inventory Held for Resale	0	0	0	5,890
Materials and Supplies Inventory	0	0	0	963
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	177,968	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	23,850
<u>Other Debits:</u>				
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$5,177,361</u></b>	<b><u>\$96,374</u></b>	<b><u>\$444,968</u></b>	<b><u>\$72,927</u></b>
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$26,019	\$3,971	\$0	\$0
Contracts Payable	16,540	0	0	0
Accrued Wages and Benefits Payable	547,062	61,752	0	29,269
Compensated Absences Payable	6,778	0	0	18,895
Retainage Payable	1,837	0	0	0
Interfund Payable	0	0	9,368	16,334
Intergovernmental Payable	107,857	9,129	160	18,277
Deferred Revenue	4,011,617	0	289,872	2,448
Due to Students	0	0	0	0
Special Termination Benefits Payable	0	0	0	0
Tax Refund Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>4,717,710</u></b>	<b><u>74,852</u></b>	<b><u>299,400</u></b>	<b><u>85,223</u></b>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	148,181
Retained Earnings:				
Unreserved (Deficit)	0	0	0	(160,477)
Fund Balance:				
Reserved for Encumbrances	64,434	19,488	36,270	0
Reserved for Property Taxes	70,653	0	0	0
Reserved for School Bus Purchase	79,771	0	0	0
Reserved for Capital Improvements	47,287	0	0	0
Reserved for Budget Stabilization	50,910	0	0	0
Unreserved:				
Undesignated	146,596	2,034	109,298	0
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b><u>459,651</u></b>	<b><u>21,522</u></b>	<b><u>145,568</u></b>	<b><u>(12,296)</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$5,177,361</u></b>	<b><u>\$96,374</u></b>	<b><u>\$444,968</u></b>	<b><u>\$72,927</u></b>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$21,345	\$0	\$0	\$1,139,824
0	0	0	4,372,142
0	0	0	4,010
0	0	0	53,856
0	0	0	25,702
0	0	0	8,770
0	0	0	5,890
0	0	0	963
0	0	0	177,968
0	7,472,561	0	7,496,411
0	0	887,986	887,986
<u>\$21,345</u>	<u>\$7,472,561</u>	<u>\$887,986</u>	<u>\$14,173,522</u>
\$0	\$0	\$0	\$29,990
0	0	0	16,540
0	0	0	638,083
0	0	735,900	761,573
0	0	0	1,837
0	0	0	25,702
0	0	68,307	203,730
0	0	0	4,303,937
21,345	0	0	21,345
0	0	16,910	16,910
0	0	66,869	66,869
<u>21,345</u>	<u>0</u>	<u>887,986</u>	<u>6,086,516</u>
0	7,472,561	0	7,472,561
0	0	0	148,181
0	0	0	(160,477)
0	0	0	120,192
0	0	0	70,653
0	0	0	79,771
0	0	0	47,287
0	0	0	50,910
0	0	0	257,928
0	7,472,561	0	8,087,006
<u>\$21,345</u>	<u>\$7,472,561</u>	<u>\$887,986</u>	<u>\$14,173,522</u>

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<u>Revenues:</u>				
Taxes	\$4,139,756	\$0	\$0	\$4,139,756
Intergovernmental	2,325,372	633,601	56,240	3,015,213
Interest	71,247	64	0	71,311
Tuition and Fees	62,666	1,316	0	63,982
Extracurricular Activities	0	113,886	0	113,886
Miscellaneous	33,600	7,568	54,926	96,094
<b>Total Revenues</b>	<u>6,632,641</u>	<u>756,435</u>	<u>111,166</u>	<u>7,500,242</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,723,543	156,516	0	2,880,059
Special	335,685	338,667	0	674,352
Vocational	247,233	700	0	247,933
Other	156,629	0	0	156,629
Support Services:				
Pupils	173,179	37,992	0	211,171
Instructional Staff	253,101	99,159	0	352,260
Board of Education	29,521	0	0	29,521
Administration	689,345	8,373	0	697,718
Fiscal	280,851	315	0	281,166
Business	216	0	0	216
Operation of Plant	715,711	2,101	0	717,812
Pupil Transportation	484,627	388	0	485,015
Central	50,078	7,966	0	58,044
Operation of Non-Instructional Services	0	74,052	0	74,052
Extracurricular Activities	85,734	90,820	0	176,554
Capital Outlay	25,849	0	69,745	95,594
Refund of Property Taxes	23,089	0	0	23,089
Debt Service:				
Principal Retirement	80,694	0	0	80,694
Interest and Fiscal Charges	1,495	0	0	1,495
<b>Total Expenditures</b>	<u>6,356,580</u>	<u>817,049</u>	<u>69,745</u>	<u>7,243,374</u>
Excess of Revenues Over (Under) Expenditures	276,061	(60,614)	41,421	256,868
Fund Balances at Beginning of Year	<u>183,590</u>	<u>82,136</u>	<u>104,147</u>	<u>369,873</u>
Fund Balances at End of Year	<u>\$459,651</u>	<u>\$21,522</u>	<u>\$145,568</u>	<u>\$626,741</u>

See accompanying notes to the general purpose financial statements.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$4,053,971	\$4,077,060	\$23,089
Intergovernmental	2,315,583	2,315,583	0
Interest	64,093	71,267	7,174
Tuition and Fees	62,363	62,373	10
Extracurricular Activities	0	0	0
Miscellaneous	17,241	16,841	(400)
<b>Total Revenues</b>	<b>6,513,251</b>	<b>6,543,124</b>	<b>29,873</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,722,498	2,722,498	0
Special	334,046	334,046	0
Vocational	239,262	239,262	0
Other	156,629	156,629	0
Support Services:			
Pupils	177,283	177,283	0
Instructional Staff	252,630	252,630	0
Board of Education	28,391	28,391	0
Administration	691,219	691,219	0
Fiscal	280,113	280,113	0
Business	429	429	0
Operation of Plant	732,864	732,864	0
Pupil Transportation	642,263	642,263	0
Central	49,056	49,056	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	88,311	88,311	0
Capital Outlay	33,564	33,564	0
Debt Service:			
Principal Retirement	80,694	80,694	0
Interest and Fiscal Charges	1,495	1,495	0
<b>Total Expenditures</b>	<b>6,510,747</b>	<b>6,510,747</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>2,504</b>	<b>32,377</b>	<b>29,873</b>
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	21,570	21,570	0
Advances In	2,906	2,906	0
Refund of Prior Year Receipts	0	(23,089)	(23,089)
Advances Out	(9,368)	(9,368)	0
<b>Total Other Financing Sources (Uses)</b>	<b>15,108</b>	<b>(7,981)</b>	<b>(23,089)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>17,612</b>	<b>24,396</b>	<b>6,784</b>
Fund Balances at Beginning of Year	659,273	659,273	0
Prior Year Encumbrances Appropriated	142,916	142,916	0
<b>Fund Balances at End of Year</b>	<b>\$819,801</b>	<b>\$826,585</b>	<b>\$6,784</b>

See accompanying notes to the general purpose financial statements.

(continued)

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	627,601	627,601	0
Interest	64	64	0
Tuition and Fees	1,216	1,216	0
Extracurricular Activities	114,207	114,207	0
Miscellaneous	10,161	10,161	0
<b>Total Revenues</b>	<b>753,249</b>	<b>753,249</b>	<b>0</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	151,395	151,395	0
Special	334,488	334,488	0
Vocational	700	700	0
Other	0	0	0
Support Services:			
Pupils	38,174	38,174	0
Instructional Staff	98,779	98,779	0
Board of Education	0	0	0
Administration	8,867	8,867	0
Fiscal	315	315	0
Business	0	0	0
Operation of Plant	2,101	2,101	0
Pupil Transportation	386	386	0
Central	7,966	7,966	0
Operation of Non-Instructional Services	88,745	88,745	0
Extracurricular Activities	101,954	101,954	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>833,870</b>	<b>833,870</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	<b>(80,621)</b>	<b>(80,621)</b>	<b>0</b>
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	11,493	11,493	0
Advances In	0	0	0
Refund of Prior Year Receipts	0	0	0
Advances Out	(2,906)	(2,906)	0
<b>Total Other Financing Sources (Uses)</b>	<b>8,587</b>	<b>8,587</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>(72,034)</b>	<b>(72,034)</b>	<b>0</b>
Fund Balances at Beginning of Year	115,524	115,524	0
Prior Year Encumbrances Appropriated	29,077	29,077	0
<b>Fund Balances at End of Year</b>	<b>\$72,567</b>	<b>\$72,567</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements.

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$4,053,971	\$4,077,060	\$23,089
23,399	30,781	7,382	2,966,583	2,973,965	7,382
0	0	0	64,157	71,331	7,174
0	0	0	63,579	63,589	10
0	0	0	114,207	114,207	0
54,926	54,926	0	82,328	81,928	(400)
<u>78,325</u>	<u>85,707</u>	<u>7,382</u>	<u>7,344,825</u>	<u>7,382,080</u>	<u>37,255</u>
71,208	71,208	0	2,945,101	2,945,101	0
0	0	0	668,534	668,534	0
0	0	0	239,962	239,962	0
0	0	0	156,629	156,629	0
0	0	0	215,457	215,457	0
7,278	7,278	0	358,687	358,687	0
0	0	0	28,391	28,391	0
0	0	0	700,086	700,086	0
0	0	0	280,428	280,428	0
0	0	0	429	429	0
0	0	0	734,965	734,965	0
0	0	0	642,649	642,649	0
0	0	0	57,022	57,022	0
0	0	0	88,745	88,745	0
0	0	0	190,265	190,265	0
27,449	27,449	0	61,013	61,013	0
0	0	0	80,694	80,694	0
0	0	0	1,495	1,495	0
<u>105,935</u>	<u>105,935</u>	<u>0</u>	<u>7,450,552</u>	<u>7,450,552</u>	<u>0</u>
<u>(27,610)</u>	<u>(20,228)</u>	<u>7,382</u>	<u>(105,727)</u>	<u>(68,472)</u>	<u>37,255</u>
320	320	0	33,383	33,383	0
0	9,368	9,368	2,906	12,274	9,368
0	0	0	0	(23,089)	(23,089)
0	0	0	(12,274)	(12,274)	0
<u>320</u>	<u>9,688</u>	<u>9,368</u>	<u>24,015</u>	<u>10,294</u>	<u>(13,721)</u>
(27,290)	(10,540)	16,750	(81,712)	(58,178)	23,534
78,067	78,067	0	852,864	852,864	0
<u>25,760</u>	<u>25,760</u>	<u>0</u>	<u>197,753</u>	<u>197,753</u>	<u>0</u>
<u>\$76,537</u>	<u>\$93,287</u>	<u>\$16,750</u>	<u>\$968,905</u>	<u>\$992,439</u>	<u>\$23,534</u>

**FORT FYRE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Tuition	\$804
Sales	<u>243,450</u>
Total Operating Revenues	<u>244,254</u>
<u>Operating Expenses:</u>	
Salaries	130,622
Fringe Benefits	81,306
Purchased Services	1,661
Materials and Supplies	24,826
Cost of Sales	175,244
Depreciation	<u>7,421</u>
Total Operating Expenses	<u>421,080</u>
Operating Loss	<u>(176,826)</u>
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	32,016
Operating Grants	<u>144,641</u>
Total Non-Operating Revenues	<u>176,657</u>
Net Loss	(169)
Retained Earnings (Deficit) at Beginning of Year	<u>(160,308)</u>
Retained Earnings (Deficit) at End of Year	(160,477)
Contributed Capital at Beginning and End of Year	<u>148,181</u>
Total Fund Equity (Deficit) at End of Year	<u><u>(\$12,296)</u></u>

See accompanying notes to the general purpose financial statements.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Tuition	\$804	\$804	\$0
Sales	243,450	243,450	0
Operating Grants	152,997	152,997	0
Total Revenues	397,251	397,251	0
<u>Expenses:</u>			
Salaries	126,613	126,613	0
Fringe Benefits	79,149	79,149	0
Purchased Services	1,661	1,661	0
Materials and Supplies	170,103	170,103	
Capital Outlay	1,460	1,460	0
Total Expenses	378,986	378,986	0
Excess of Revenues Over Expenses	18,265	18,265	0
Fund Equity at Beginning of Year	9,037	9,037	0
Prior Year Encumbrances Appropriated	100	100	0
Fund Equity at End of Year	\$27,402	\$27,402	\$0

See accompanying notes to the general purpose financial statements.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise</u>
Increase (Decrease) in	
<u>Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Tuition Payments	\$804
Cash Received from Customers	243,450
Cash Payments to Suppliers for Goods and Services	(171,764)
Cash Payments for Employee Services	(126,613)
Cash Payments for Employee Benefits	(79,149)
	<u>(133,272)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	152,997
	<u>152,997</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(1,460)
	<u>(1,460)</u>
Net Increase in Cash and Cash Equivalents	18,265
Cash and Cash Equivalents at Beginning of Year	9,137
	<u>9,137</u>
Cash and Cash Equivalents at End of Year	<u>\$27,402</u>
Reconciliation of Operating Loss to	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$176,826)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	7,421
Donated Commodities Used During Year	32,016
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(200)
Increase in Inventory Held for Resale	(1,533)
Increase in Materials and Supplies Inventory	(199)
Decrease in Accounts Payable	(117)
Increase in Accrued Wages and Benefits Payable	3,670
Increase in Compensated Absences Payable	930
Increase in Intergovernmental Payable	1,566
	<u>43,554</u>
Total Adjustments	<u>43,554</u>
Net Cash Used for Operating Activities	<u>(\$133,272)</u>

See accompanying notes to the general purpose financial statements.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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

Fort Frye Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 77 classified employees, 91 certified teaching personnel, and 8 administrators, who provide services to 1,261 students and other community members.

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

*Parochial School* - Within the School District boundaries, St. John Central Elementary School is operated through the Steubenville Catholic Diocese. The State provides funding for this nonpublic school. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the School District, as directed by the nonpublic school. This financial activity is reflected in a special revenue fund for reporting purposes.

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 organization's 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 organization's 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. The School District has no component units.

The School District is associated with the Southeast Ohio Voluntary Educational Consortium, the Washington County Joint Vocational School, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 16 and 17.

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

The financial statements of the Fort Frye 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 its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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 and trust 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* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Proprietary Fund Types:*

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 Funds* - Enterprise funds are used to account for School District 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.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (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. The School District's fiduciary funds are all classified as agency funds. These funds 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, other than those accounted for in the 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 the 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., 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 and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and 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.

**C. Budgetary Data**

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 legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*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 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 Washington 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 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 is amended to include any unencumbered cash balances from the preceding year.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Data (Continued)**

*Estimated Resources: (Continued)*

The certificate 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 issued during fiscal year 2000.

*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 fund level of expenditures, which is the legal level 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. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The allocation of appropriations among functions within a fund may be modified during the fiscal year by the Treasurer without Board approval. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, 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 and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*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 Cash Equivalents**

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

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents (Continued)**

During fiscal year 2000, investments were limited to certificates of deposit which are reported at cost.

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 amounted to \$71,247, which includes \$17,630 assigned 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 original maturities 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 that are not purchased from the pool are reported as investments. During the fiscal year, the School District had no investments that met these criteria.

**E. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for the acquisition or construction of capital assets and the creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

**F. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Prepaid Items**

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

**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 proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred 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. Interest incurred during the construction of general fixed assets is also not capitalized.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation (Continued)**

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

**I. 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 School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

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

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Auxiliary Services
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Title VI-B
- Drug Free Schools
- Instructional Material Subsidy
- Early Childhood Education Development Grant
- Teacher Development
- Ohio Reads
- School-Age Child Care Grant
- Continuous Improvement Grant
- Telecommunity Grant
- Professional Development Block Grant
- Kids on Campus
- Title VI-R

*Capital Projects Funds*

- School Net Plus
- School Net Individual Pilot
- Power-up Grant

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Intergovernmental Revenues (Continued)**

*Reimbursable Grants*  
*Special Revenue Funds*  
E-Rate  
School-to-Work  
FEMA

*Proprietary Funds*  
National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 40 percent of governmental fund revenue during the 2000 fiscal year.

**J. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**K. 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 current service with the School District.

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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. Accrued Liabilities and Long-Term Obligations**

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

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Accrued Liabilities and Long-Term Obligations (Continued)**

In general, payments made more than sixty days after year end are considered not to have been paid using current available financial resources. Long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**M. Interfund Transactions**

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.

**N. 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 encumbrances, property taxes, school bus purchase, capital improvements, and budget stabilization.

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

**O. Contributed Capital**

Contributed capital represents resources from other funds provided to proprietary funds 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 proprietary funds have been classified as retained earnings.

**P. 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.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (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 - ACCOUNTABILITY**

At June 30, 2000, the Disadvantaged Pupil Impact Aid, the Title VI-B, and the Title I Special Revenue Funds had deficit fund balances of \$5,521, \$2,993, and \$46,445, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Lunchroom Enterprise Fund had deficit retained earnings of \$162,482 at June 30, 2000. The deficit is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

**NOTE 4 - 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 and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type 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 proprietary fund type (GAAP basis).
  4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (E) Proceeds from and principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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	\$276,061	(\$60,614)	\$41,421
Revenue Accruals	(67,967)	8,307	(25,139)
Unreported Items	20	0	0
Advances In	2,906	0	9,368
Expenditure Accruals	39,439	6,611	160
Advances Out	(9,368)	(2,906)	0
Encumbrances	(216,695)	(23,432)	(36,350)
Budget Basis	\$24,396	(\$72,034)	(\$10,540)

Net Loss/Excess of Revenues Over Expenses  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$169)
Revenue Accruals	8,356
Expense Accruals	4,117
Capital Outlay	(1,460)
Depreciation Expense	7,421
Budget Basis	\$18,265

**NOTE 5 - 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.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond 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 and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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.

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$1,317,792 and the bank balance was \$1,398,588. Of the bank balance, \$100,567 was covered by federal depository insurance and \$1,298,021 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true 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.

Tangible personal property taxes 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.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 6 - PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2000 taxes were collected in Washington County are:

	<u>1999 Second- Half Collections</u>		<u>2000 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$45,695,590	85%	\$45,457,320	85%
Public Utility	5,568,250	11%	5,078,640	10%
Tangible Personal Property	<u>2,321,940</u>	<u>4%</u>	<u>2,694,770</u>	<u>5%</u>
Total Assessed Value	<u>\$53,585,780</u>	<u>100%</u>	<u>\$53,230,730</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$35.50		\$35.50	

The School District receives property taxes from Washington, Morgan, and Noble counties. The Washington County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The voters of the School District approved a permanent improvement levy in February, 2000. Collections for this levy will begin in fiscal year 2001.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2000, was \$70,653 and is recognized as revenue in the General Fund. The amount available as an advance at June 30, 1999, was \$7,957.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	<u>Amounts</u>
STRS Reimbursement	\$9,931
Transportation	2,794
Good Effort/Good Conduct Grant	258
Miscellaneous	<u>792</u>
Total General Fund	<u>13,775</u>
Capital Projects Fund: Schoolnet	<u>25,459</u>

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 7 - RECEIVABLES (Continued)**

Enterprise Fund:	
National School Lunch and Breakfast	<u>14,622</u>
Total Intergovernmental Receivables	<u><u>\$53,856</u></u>

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$ 159,034
Less: Accumulated depreciation	<u>(135,184)</u>
Net Fixed Assets	<u><u>\$ 23,850</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	<u>Balance at 06/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/00</u>
Land	\$790,482	\$17,091	\$0	\$807,573
Buildings	3,936,858	5,393	0	3,942,251
Furniture and Equipment	1,765,150	82,711	0	1,847,861
Vehicles	<u>873,916</u>	<u>960</u>	<u>0</u>	<u>874,876</u>
Total	<u><u>\$7,366,406</u></u>	<u><u>\$106,155</u></u>	<u><u>\$0</u></u>	<u><u>\$7,472,561</u></u>

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

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 2000, the School District contracted with Barengo Insurance Agency, Inc. for building and business personal property insurance.

Professional and general liability is protected by the Nationwide Insurance Company with a \$2,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Vehicles are covered by Barengo Insurance Agency, Inc. and has a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 9 - RISK MANAGEMENT (Continued)**

**B. Workers' Compensation (Continued)**

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 10 - 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. STRS provides 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations 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, 2000, 1999, and 1998, were \$189,540, \$159,360 and \$303,561, respectively; 86.18 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$26,190 represents the unpaid contribution for fiscal year 2000 and 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. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System (Continued)**

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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$49,220, \$64,358 and \$97,151, respectively; 44.13 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$27,501 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTE 11 - POST-EMPLOYMENT 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 on a pay-as-you-go basis.

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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$252,720 for fiscal year 2000.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$112,782.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 11 - POST-EMPLOYMENT BENEFITS (Continued)**

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

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 195 days for certified employees and 200 days for classified employees and could be accumulated up to 210 days under certain circumstances for all employees. Upon retirement, certificated employees receive payments for accumulated sick days as follows: 33 days for one to ten years of service; 48 days for 11 to 25 years of service; and 56 days for 26 or more years of service. Four days will be added if the average sick leave absence rate for the employee is five days or less for the last three years. Classified employees, upon retirement, receive payment for accumulated sick days as follows: 40 days for one to ten years of service; 50 days for 11 to 19 years of service; and 65 days for 20 or more years of service.

**B. Insurance Benefits**

The School District provides health and major medical insurance for all eligible employees. The School District pays monthly premiums of up to \$430.53 for family coverage and up to \$175.72 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The School District also provides prescription drug insurance to its employees through Medical Mutual Of Ohio. This plan utilizes a \$4 per prescription deductible for name brands and no deductible for generic brands.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company in the amount of \$25,000 for all employees.

Dental coverage is provided through Delta Plan of Ohio. Premiums for this coverage are \$41.77 monthly for family and \$14.40 for single coverage.

**NOTE 13 - CONTRACTUAL COMMITMENT**

As of June 30, 2000, the School District had a contractual purchase commitment for an electrical renovations project at Beverly Elementary School. The contract is with Newco Electric Company, Inc. in the amount of \$35,473 and is accounted for in the General Fund. As of June 30, 2000, the School District paid \$18,377 on the project and the remaining balance on the contract is \$17,096.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	<u>Outstanding</u> <u>06/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>06/30/00</u>
Compensated Absences	\$739,284	\$237,613	\$240,997	\$735,900
Tax Refund	89,958	0	23,089	66,869
Special Termination Benefits	14,388	16,910	14,388	16,910
Energy Conservation				
Loan - 5.80%	80,694	0	80,694	0
Long-Term Pension Liability	<u>65,633</u>	<u>68,307</u>	<u>65,633</u>	<u>68,307</u>
Total Long-Term Obligations	<u>\$989,957</u>	<u>\$322,830</u>	<u>\$424,801</u>	<u>\$887,986</u>

Based on the March 26, 1997 decision by the Ohio State Supreme Court, the School District is required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The liability will be paid from the General Fund through reductions in tax settlements. No interest will be charged on the liability for the 1992 through 1996 tax years. Requirements to retire the Tax Refund obligation at June 30, 2000, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	
2001	\$23,088
2002	23,088
2003	<u>20,693</u>
Total	<u>\$66,869</u>

During fiscal year 1998, the School District issued a loan for \$263,320 for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a two year period with final maturity during fiscal year 2000. This note was repaid with energy savings. The Capital Improvement Capital Projects Fund received the proceeds. Compensated absences, special termination benefits, and long-term pension obligations will be paid from the fund which the employees' salaries are paid. The School District's overall legal debt margin was \$12,726,561 with an unvoted debt margin of \$141,406 at June 30, 2000.

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of the food service, uniform school supplies, and adult education programs. The table below reflects the more significant financial data relating to the enterprise funds of the Fort Frye Local School District as of and for the fiscal year ended June 30, 2000.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Lunchroom</u>	Uniform School <u>Supplies</u>	Adult <u>Education</u>	<u>Total</u>
Operating Revenues	\$229,718	\$13,732	\$804	\$244,254
Depreciation Expense	7,421	0	0	7,421
Operating Loss	(178,696)	1,466	404	(176,826)
Donated Commodities	32,016	0	0	32,016
Operating Grants	144,641	0	0	144,641
Net Income (Loss)	(2,039)	1,466	404	(169)
Fixed Asset Additions	1,460	0	0	1,460
Net Working Capital	(19,256)	1,466	539	(17,251)
Total Assets	70,922	1,466	539	72,927
Long-Term Compensated Absences Payable	18,895	0	0	18,895
Total Equity (Deficit)	(14,301)	1,466	539	(12,296)

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

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

*Washington County Joint Vocational School* - The Washington County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Washington County Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Joint Vocational School, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

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

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 17 - INSURANCE PURCHASING POOL**

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

**NOTE 18 - INTERFUND TRANSACTIONS**

As of June 30, 2000, the Power Up Capital Projects Fund and the Lunchroom Enterprise Fund owed the General Fund \$9,368 and \$16,334, respectively, as an interfund payable.

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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 year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>
Set-aside Reserve Balance as of June 30, 1999	\$35,501	\$0	\$0
Current Fiscal Year Set-Aside Requirement	15,409	152,731	152,731
Qualifying Disbursements	<u>0</u>	<u>(105,444)</u>	<u>(153,398)</u>
Set-aside Balance Carried to Future Fiscal Years	<u>\$50,910</u>	<u>\$47,287</u>	<u>(\$667)</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$50,910</u>	<u>\$47,287</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$98,197.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**NOTE 20 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,060,191 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme court rendered an opinion on this issue. The Court concluded, "the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

**NOTE 21 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The School District is currently party to litigation. The outcome and possible effects on the financial statements cannot be determined at this time.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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

<b>FEDERAL GRANTOR Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Number</b>	<b>Receipts</b>	<b>Noncash Receipts</b>	<b>Disbursements</b>	<b>Noncash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program (Commodities)	10.550	N/A	\$	\$ 31,485	\$	\$ 32,065
National School Breakfast Program	10.553	05-PU-99	8,991		8,991	
		05-PU-00	21,700		21,700	
Total School Breakfast Program			30,691	0	30,691	0
National School Lunch Program	10.555	03-PU-99	6,509		6,509	
		04-PU-99	24,465		24,465	
		03-PU-00	18,210		18,210	
		04-PU-00	61,503		61,503	
Total National School Lunch Program			110,687	0	110,687	0
Total Nutrition Cluster			141,378	31,485	141,378	32,065
Total United States Department of Agriculture			141,378	31,485	141,378	32,065
<b>UNITED STATES DEPARTMENT OF LABOR</b>						
<i>Passed through the Ohio Department of Education</i>						
Employment Services and Job Training						
Pilot and Demonstration Program	17.249	WE-BE-99			9,396	
Total United States Department of Labor			0	0	9,396	0
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>						
<i>Pass Through Ohio Emergency Management Agency:</i>						
Disaster Assistance - Federal Emergency Management Agency	83.544	DR-1227			2,101	
Total Federal Emergency Management Agency			0	0	2,101	0
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Grants to Local Educational Agencies (ESEA Title I)						
	84.010	C1-S1-99	4,871		48,918	
		C1-S1-99C	48,336		48,336	
		C1-S1-00	221,582		220,274	
Total Grants to Local Educational Agencies			274,789	0	317,528	0
Special Education Grants to States (Title IV-B)	84.027	6B-SF-98P	8,651		13,485	
		6B-SF-99P	66,719		61,584	
Total Special Education Grants to States (Title IV-B)			75,370	0	75,069	0
Drug-Free Schools and Community Grant	84.186	DR-S1-98			454	
		DR-S1-99	1,117		2,170	
		DR-S1-99C	1,382		1,036	
		DR-S1-00	5,256		4,033	
Total Drug-Free Schools and Community Grant			7,755	0	7,693	0
Innovative Education Program Strategies (Title VI)	84.298	C2-S1-99C	847		847	
		C2-S1-99			129	
		C2-S1-00	6,542		6,542	
Total Innovative Education Program Strategies			7,389	0	7,518	0
Class Size Reduction Grant	84.340	CR-S1-00	40,474	0	33,243	0
Total United States Department of Education			405,777	0	441,051	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 547,155</b>	<b>\$ 31,485</b>	<b>\$ 593,926</b>	<b>\$ 32,065</b>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-  
800-441-  
Facsimile 740-594-  
www.auditor.state.oh.us

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

Fort Frye Local School District  
Washington County  
500 Fifth Street  
P.O. Box 1149  
Beverly, Ohio 45715

To the Board of Education:

We have audited the general purpose financial statements of the Fort Frye Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated October 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated October 20, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated October 20, 2000.

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

This report is intended for the information and use of the 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

October 20, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

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743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-  
800-441-  
Facsimile 740-594-  
www.auditor.state.oh.us

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

Fort Frye Local School District  
Washington County  
500 Fifth Street  
P.O. Box 1149  
Beverly, Ohio 45715

To the Board of Education:

**Compliance**

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

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

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

**Internal Control Over Compliance**

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

Fort Frye Local School District  
Washington County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133  
Page 2

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

This report is intended for the information and use of the 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

October 20, 2000

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2000**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

There were no findings related to the financial statements.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
*OMB CIRCULAR A-133 § .315 (b)*  
JUNE 30, 2000

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
99-1	A reportable condition was issued for the School District regarding the lack of a formal disaster recovery plan by SEOVEC.	Yes	N/A



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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

**FORT FRYE LOCAL SCHOOL DISTRICT**

**WASHINGTON 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 5, 2000**