



**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Fredericktown Local School District
Knox County
134 West Second Street
Fredericktown, Ohio 43019

We have audited the accompanying basic financial statements of Fredericktown Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

As described in Note 3 to the basic financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements Nos. 33 and 34 and GASB Interpretation No. 6 as of and for the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis beginning on page 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

JIM PETRO
Auditor of State

March 13, 2002

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Fredericktown Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited*

The discussion and analysis of Fredericktown Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2001. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2001 are as follows:

- ❑ In total, net assets increased \$0.4 million. Net assets of governmental activities increased \$0.4 million which represents an 8 percent increase from 2000. Net assets of business-type activities remained constant from 2000.
- ❑ For governmental activities general revenues accounted for \$7.9 million in revenue or 89 percent of all revenues. Program specific revenues in the form of charges for services, sales, grants and contributions accounted for \$1.0 million or 11 percent of total revenues of \$8.9 million.
- ❑ The School District had \$8.1 million in expenses related to governmental activities; only \$1.0 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily state foundation and taxes) of \$7.9 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$7.1 million in revenues and \$6.8 million in expenditures. The general fund's fund balance increased from \$2.3 million to \$2.4 million.
- ❑ Net assets for enterprise funds remained constant. Operating expense of \$0.4 million exceeded operating revenues of \$0.2 million. Grants of \$54,986 and a \$94,000 transfer from the general fund offset the operating loss.

Using this Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Fredericktown Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Fredericktown Local School District, the general fund is by far the most significant fund.

Fredericktown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2001?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District food service program is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund and the building construction capital projects fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fredericktown Local School District
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Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, except for the recognition of the business-type activities participation in the internal service fund, these statements will essentially match.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2001 compared to 2000:

(Table 1)
 Net Assets
 (In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Assets						
Current and Other Assets	\$14.8	\$5.8	\$0.0	\$0.1	\$14.8	\$5.9
Capital Assets	<u>2.9</u>	<u>3.1</u>	<u>0.1</u>	<u>0.0</u>	<u>3.0</u>	<u>3.1</u>
Total Assets	<u>17.7</u>	<u>8.9</u>	<u>0.1</u>	<u>0.1</u>	<u>17.8</u>	<u>9.0</u>
Liabilities						
Long-Term Liabilities	(8.8)	(0.8)	0.0	0.0	(8.8)	(0.8)
Other Liabilities	<u>(3.3)</u>	<u>(2.9)</u>	<u>0.0</u>	<u>0.0</u>	<u>(3.3)</u>	<u>(2.9)</u>
Total Liabilities	<u>(12.1)</u>	<u>(3.7)</u>	<u>0.0</u>	<u>0.0</u>	<u>(12.1)</u>	<u>(3.7)</u>
Net Assets						
Invested in Capital Assets Net of Debt	2.5	3.1	0.1	0.0	2.6	3.1
Restricted	1.0	0.3	0.0	0.0	1.0	0.3
Unrestricted (Deficit)	<u>2.1</u>	<u>1.8</u>	<u>0.0</u>	<u>0.1</u>	<u>2.1</u>	<u>1.9</u>
Total Net Assets	<u>\$5.6</u>	<u>\$5.2</u>	<u>\$0.1</u>	<u>\$0.1</u>	<u>\$5.7</u>	<u>\$5.3</u>

The electors of the School District approved the issuance of bonds in the amount of \$7.9 million at the election held on November 7, 2000, and bonds were issued pursuant to such voted authority. The bonds were issued to retire the \$7.9 million of notes which were issued for the purpose of construction of a discrete portion of a K-8 facility to serve grades K-3; furnishing and equipping the same, including technology for classroom instruction; and landscaping and improving the site thereof. The issuance of these notes and bonds increased both the current assets and long-term liabilities.

Net assets of the School District's governmental activities remained fairly constant.

The net assets of the School District business-type activities remained constant from the prior year. Expenses were higher due to the hiring of a food service co-ordinator and the increased wages for long term substitutes.

Fredericktown Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2001

Unaudited

The general fund transferred \$94,000 to the food service fund to account for these increased expenses. The last increase in student lunch fees occurred in 1997.

Table 2 shows the changes in net assets for fiscal year 2001. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2000 are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities 2001	Business-Type Activities 2001	Total 2001
Revenues			
Program Revenues:			
Charges for Services	\$0.3	\$0.2	\$0.5
Operating Grants	0.6	0.1	0.7
Capital Grants	0.1	0.0	0.1
General Revenue:			
Property Taxes	3.6	0.0	3.6
Grants and Entitlements	3.7	0.0	3.7
Other	0.6	0.0	0.6
Total Revenues	<u>8.9</u>	<u>0.3</u>	<u>9.2</u>
Expenses			
Instruction	4.5	0.0	4.5
Support Services:			
Pupil and Instructional Staff	0.6	0.0	0.6
Board of Education, Administration, Fiscal and Business	1.1	0.0	1.1
Operation and Maintenance of Plant	0.5	0.0	0.5
Pupil Transportation	0.6	0.0	0.6
Extracurricular Activities	0.5	0.0	0.5
Interest and Fiscal Charges	0.3	0.0	0.3
Food Service/School Supplies	0.0	0.4	0.4
Total Expenses	8.1	0.4	8.5
Transfers	0.1	(0.1)	0.0
Total Expenses and Transfers	<u>8.2</u>	<u>0.3</u>	<u>8.5</u>
Increase (Decrease) in Net Assets	<u><u>\$0.7</u></u>	<u><u>\$0.0</u></u>	<u><u>\$0.7</u></u>

Fredericktown Local School District
Management's Discussion and Analysis
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Governmental Activities

Fredericktown Local School District depends on both property taxes and State funding. In May of 2001, taxpayers passed a five year 4.5 mill renewal levy.

Several revenue sources fund our governmental activities with property taxes and state foundation being the largest contributors. Property tax levies generated \$3.6 million in 2001. General revenues from grants and entitlements, such as the school foundation program, generated \$3.8 million. With the combination of taxes and intergovernmental funding over 83 percent of all expenses intergovernmental activities, the School District monitors both of these revenue sources very closely for fluctuations.

Instruction comprises 56 percent of governmental program expenses. Interest expense was 2 percent. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2000 have not been made since they are not available.

Table 3
 Governmental Activities
 (In Millions)

	Total Cost of Services 2001	Net Cost of Services 2001
Instruction	\$4.5	\$3.9
Support Services:		
Pupil and Instructional Staff	0.6	0.6
Board of Education, Administration, Fiscal and Business	1.1	1.1
Operation and Maintenance of Plant	0.5	0.4
Pupil Transportation	0.6	0.5
Extracurricular Activities	0.5	0.3
Interest and Fiscal Charges	0.3	0.3
Total Expenses	\$8.1	\$7.1

Business-Type Activities

Business-type activities include the food service operation and uniform school supplies. These programs had revenues of \$280,180 and expenses of \$362,919 for fiscal year 2001. Management regularly reviews these programs and food service fees have not been increased since 1997. To also insure that the net assets are not reduced in fiscal year 2002, the School District is taking steps to reduce expenses.

Fredericktown Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited*

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8.9 million and expenditures of \$8.1 million. The net change in fund balance for the year was most significant in the Building Construction Capital Projects Fund, which had an increase of \$8.0 million. This increase was related to the issuance of notes and bonds for the building project the School District will be starting.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2001, the School District amended its general fund budget numerous times, none significant. Requests for budget changes are made by the building administrators. Final approval is obtained from the treasurer and is presented to the Board of Education for their adoption.

For the general fund, budget basis revenue was \$7.1 million, above original budget estimates of \$6.7 million. Of this \$0.4 million difference, most was due to conservative tax estimates.

The original appropriations of \$8.0 million stayed constant. Expenditures, however, were only \$7.1 million or \$0.9 million less than anticipated.

The School District's ending unobligated budgetary balance was \$1.7 million above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2001, the School District had \$3.0 million invested in land, buildings, equipment, vehicles and construction in progress with \$2.9 million used for governmental activities. Table 4 shows fiscal year 2001 balances compared to fiscal year 2000:

Fredericktown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

(Table 4)
Capital Assets at June 30
 (Net of Depreciation, in Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Land	\$0.1	\$0.1	\$0.0	\$0.0	\$0.1	\$0.1
Land Improvements	0.3	0.3	0.0	0.0	0.3	0.3
Buildings and Improvements	1.3	1.4	0.0	0.0	1.3	1.4
Furniture and Equipment	0.6	0.7	0.1	0.1	0.7	0.8
Vehicles	0.4	0.3	0.0	0.0	0.4	0.3
Construction in Progress	0.2	0.0	0.0	0.0	0.2	0.0
Totals	<u>\$2.9</u>	<u>\$2.8</u>	<u>\$0.1</u>	<u>\$0.1</u>	<u>\$3.0</u>	<u>\$2.9</u>

The primary increase occurred in vehicles and construction in progress, which included \$95,000 for resurfacing the high school track and the purchase of three new buses.

For fiscal year 2001, a change in Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2001, this amounted to \$155,854 for each set aside. For fiscal year 2001, the School District had qualifying disbursements or offsets exceeding these requirements with permanent improvement funds covering the capital improvements requirement. For fiscal year 2002, the set asides will remain the same. The School District has budgeted to meet these requirements.

Debt

At June 30, 2001 the School District had \$8.1 million in bonds outstanding with \$75,000 due within one year. Table 5 summarizes the bonds outstanding:

(Table 5)
Outstanding Debt, at Year End
 (In Millions)

	<u>Governmental Activities 2001</u>	<u>Governmental Activities 2000</u>
General Obligation Bonds:		
2001 K-8 Building	\$7.9	\$0.0
Energy Conservation Bonds	0.2	0.2
Total	<u>\$8.1</u>	<u>\$0.2</u>

The energy conservation bonds were issued to replace heating systems and lighting systems at one high school. It is to be repaid in annual installments through June, 2008, from the General Fund.

Fredericktown Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited*

The electors of the School District approved the issuance of bonds in the amount of \$7.9 million at the election held on November 7, 2000, and bonds were issued pursuant to such voted authority. The bonds were issued for the purpose of repaying the \$7.9 million of notes which were issued for the construction of a discrete portion of a K-8 facility to serve grades K-3; furnishing and equipping the same, including technology for classroom instruction; and landscaping and improving the site thereof. The School District has been approved to participate in the Expedited Local Partnership Program of the Ohio School Facilities Commission, under which the State will fund 71 percent of the School District's future facility needs after the issuance of the bonds.

At June 30, 2001, the School District's overall legal debt margin was \$1,751,047 with an unvoted debt margin of \$105,671. The School District maintains an Aa-3 bond rating.

Current Issues Affecting Financial Condition

The end of fiscal year 2001 marked the expiration of the teachers last three year contract. A new three year labor agreement was approved on August 2, 2001. The economic package contained in the new contract provides for four percent annual increases. The end of fiscal year 2001 also marked the expiration of the classified employees three year contract. A new three year labor agreement was approved June 12, 2001. Their economic package contained in the new contract provides for 3-3-3.5 percent annual increases.

Both labor agreements contained increases in insurance premiums, the addition of a 125 cafeteria plan and the implementation of a medical spending reserve plan effective with the 2002-2003 school year.

On August 14, 2000, the State Controlling Board approved the School District's participation in the Expedited Local Partnership Program (the "Expedited Program) under which the State will fund 71 percent of the School District's future facility needs after its issuance of the bonds.

Under the Expedited Program, a school district may enter into an agreement with the Ohio School Facilities Commission under which the school district proceeds with the new construction or major repairs of a separate and discrete portion of the school district's classroom facilities needs through the expenditure of "local resources." "Local resources" are defined as "any moneys generated in any manner" permitted for a school district portion of a school facilities project. In order to be eligible for the Expedited Program, a school district must submit a resolution passed by the school board certifying to the Commission the school district's request to participate in the Expedited Program.

Once the school district is approved for the Expedited Program, the Commission conducts an assessment and develops a current master plan for the school district. As with the Facilities Program, the Commission establishes a basic project cost, and subsequently, the state and local share percentage are determined pursuant to Chapter 3318, Ohio Revised Code. Once the master plan is complete, the school district may proceed with and pay for the discrete portion of the master plan with local resources, and may choose to fund the maintenance obligation that will be ultimately required when the school district qualifies for the Facilities Program. The master plan expenditures, if qualifying, will then count toward the local share of the Facilities Program when the school district becomes eligible for the Facilities Program. When the school district is eligible for the Facilities Program, the Commission will conduct a new assessment of the school district's facilities and may determine that additional facility improvements are required. In some cases, this would require the school district to provide additional local resources to meet its local share percentage, possibly including seeking voter approval for an additional bond issue.

Fredericktown Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited*

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the District. Management must plan expenses accordingly, staying within the School District's five-year plan.

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional. The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Pat Miller, Treasurer at Fredericktown Local School District, 134 West Second Street, Fredericktown, Ohio 43019. Or E-Mail at pat_m@treca.org.

Fredericktown Local School District

Statement of Net Assets

June 30, 2001

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,861,627	\$66,884	\$2,928,511
Cash and Cash Equivalents			
With Fiscal Agents	336,362	0	336,362
Investments	7,593,006	0	7,593,006
Accrued Interest Receivable	153,272	0	153,272
Accounts Receivable	865	0	865
Intergovernmental Receivable	41,496	141	41,637
Prepaid Items	2,507	0	2,507
Taxes Receivable	3,744,543	0	3,744,543
Internal Balances	13,283	(13,283)	0
Inventory Held for Resale	0	4,348	4,348
Materials and Supplies			
Inventory	0	1,651	1,651
Deferred Charges	99,107	0	99,107
Nondepreciable Capital Assets	276,918	0	276,918
Depreciable Capital Assets, Net	2,600,041	69,151	2,669,192
<i>Total Assets</i>	<u>17,723,027</u>	<u>128,892</u>	<u>17,851,919</u>
Liabilities			
Accounts Payable	46,838	5,522	52,360
Accrued Wages Payable	516,325	18,074	534,399
Intergovernmental Payable	185,677	17,442	203,119
Deferred Revenue	2,276,665	3,009	2,279,674
Matured Bonds Payable	48,000	0	48,000
Matured Interest Payable	13,020	0	13,020
Accrued Interest Payable	75,498	0	75,498
Claims Payable	125,406	0	125,406
Long-Term Liabilities:			
Due Within One Year	145,784	1,550	147,334
Due In More Than One Year	8,670,631	14,836	8,685,467
<i>Total Liabilities</i>	<u>12,103,844</u>	<u>60,433</u>	<u>12,164,277</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,541,178	69,151	2,610,329
Restricted for:			
Capital Projects	466,076	0	466,076
Debt Service	311,962	0	311,962
Other Purposes	178,284	0	178,284
Unrestricted (Deficit)	2,121,683	(692)	2,120,991
<i>Total Net Assets</i>	<u>\$5,619,183</u>	<u>\$68,459</u>	<u>\$5,687,642</u>

See accompanying notes to the basic financial statements

Fredericktown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2001

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$3,711,061	\$62,325	\$84,421	\$67,500
Special	725,270	0	427,839	0
Vocational	73,205	0	11,044	0
Support Services:				
Pupil	278,161	3,663	26,170	0
Instructional Staff	360,698	5,825	10,276	0
Board of Education	77,295	0	0	0
Administration	816,660	525	7,174	0
Fiscal	195,040	0	0	0
Business	43,957	0	0	0
Operation and Maintenance of Plant	485,574	5,287	66,796	0
Pupil Transportation	566,589	0	0	25,019
Extracurricular Activities	508,315	189,188	0	0
Interest and Fiscal Charges	285,293	0	0	0
<i>Total Governmental Activities</i>	<u>8,127,118</u>	<u>266,813</u>	<u>633,720</u>	<u>92,519</u>
Business-Type Activities				
Food Service	321,510	180,888	65,957	0
Uniform School Supplies	41,409	32,625	0	0
<i>Total Business-Type Activities</i>	<u>362,919</u>	<u>213,513</u>	<u>65,957</u>	<u>0</u>
Totals	<u><u>\$8,490,037</u></u>	<u><u>\$480,326</u></u>	<u><u>\$699,677</u></u>	<u><u>\$92,519</u></u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

 Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions

Investment Earnings

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$3,496,815)	\$0	(\$3,496,815)
(297,431)	0	(297,431)
(62,161)	0	(62,161)
(248,328)	0	(248,328)
(344,597)	0	(344,597)
(77,295)	0	(77,295)
(808,961)	0	(808,961)
(195,040)	0	(195,040)
(43,957)	0	(43,957)
(413,491)	0	(413,491)
(541,570)	0	(541,570)
(319,127)	0	(319,127)
(285,293)	0	(285,293)
<u>(7,134,066)</u>	<u>0</u>	<u>(7,134,066)</u>
0	(74,665)	(74,665)
0	(8,784)	(8,784)
<u>0</u>	<u>(83,449)</u>	<u>(83,449)</u>
<u>(7,134,066)</u>	<u>(83,449)</u>	<u>(7,217,515)</u>
2,915,283	0	2,915,283
464,079	0	464,079
264,497	0	264,497
3,745,017	0	3,745,017
328	0	328
435,800	433	436,233
112,186	277	112,463
<u>7,937,190</u>	<u>710</u>	<u>7,937,900</u>
<u>(94,000)</u>	<u>94,000</u>	<u>0</u>
<u>7,843,190</u>	<u>94,710</u>	<u>7,937,900</u>
709,124	11,261	720,385
<u>4,910,059</u>	<u>57,198</u>	<u>4,967,257</u>
<u>\$5,619,183</u>	<u>\$68,459</u>	<u>\$5,687,642</u>

Fredericktown Local School District

*Balance Sheet
Governmental Funds
June 30, 2001*

	<u>General</u>	<u>Bond Retirement Debt Service</u>	<u>Building Construction Capital Projects</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,987,733	\$79,596	\$254,008
Cash and Cash Equivalents			
With Fiscal Agents	0	61,020	0
Investments	0	0	7,593,006
Accrued Interest Receivable	19,497	0	133,775
Accounts Receivable	537	0	0
Intergovernmental Receivable	0	0	0
Prepaid Items	2,507	0	0
Taxes Receivable	2,961,077	539,016	0
Restricted Cash and Cash Equivalents	46,999	0	0
<i>Total Assets</i>	<u>\$5,018,350</u>	<u>\$679,632</u>	<u>\$7,980,789</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$35,805	\$0	\$0
Accrued Wages and Benefits	491,106	0	0
Intergovernmental Payable	118,292	0	0
Matured Bonds Payable	0	48,000	0
Matured Interest Payable	0	13,020	0
Deferred Revenue	1,978,077	334,816	0
<i>Total Liabilities</i>	<u>2,623,280</u>	<u>395,836</u>	<u>0</u>
Fund Balances			
Reserved for Encumbrances	164,364	0	250,581
Reserved for Property Taxes	983,000	204,200	0
Reserved for Textbooks and Instructional Materials	46,999	0	0
Unreserved, Reported In:			
General Fund	1,200,707	0	0
Special Revenue Funds	0	0	0
Debt Service Funds	0	79,596	0
Capital Projects Funds	0	0	7,730,208
<i>Total Fund Balances</i>	<u>2,395,070</u>	<u>283,796</u>	<u>7,980,789</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,018,350</u>	<u>\$679,632</u>	<u>\$7,980,789</u>

See accompanying notes to the basic financial statements

Fredericktown Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2001*

Other Governmental Funds	Total Governmental Funds	Total Governmental Funds Balances	\$11,201,765
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$493,291	\$2,814,628	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,876,959
0	61,020		
0	7,593,006	Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
0	153,272	Property Taxes	191,378
328	865	Grants	41,496
41,496	41,496		
0	2,507	Total	232,874
244,450	3,744,543	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	163,219
0	46,999		
\$779,565	\$14,458,336	Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(62,828)
\$11,033	\$46,838	Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on a full accrual basis.	
25,219	516,325	Issuance costs	100,907
4,557	122,849	Current year expense	(1,800)
0	48,000		
0	13,020	Total	99,107
196,646	2,509,539	Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
237,455	3,256,571	General Obligation Bonds	(7,900,000)
47,101	462,046	General Obligation Bond Premium	(103,010)
89,300	1,276,500	Capital Leases	(22,363)
0	46,999	Compensated Absences	(636,042)
0	1,200,707	Accrued Interest Payable	(75,498)
144,848	144,848	Energy Loans	(155,000)
0	79,596		
260,861	7,991,069	Total	(8,891,913)
542,110	11,201,765	<i>Net Assets of Governmental Activities</i>	\$5,619,183
\$779,565	\$14,458,336		

Fredericktown Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2001

	General	Bond Retirement Debt Service	Building Construction Capital Projects
Revenues			
Taxes	\$2,861,747	\$237,254	\$198,659
Intergovernmental	3,962,652	28,538	0
Interest	196,592	0	239,208
Tuition and Fees	9,961	0	0
Extracurricular Activities	0	0	0
Rentals	5,287	0	0
Contributions and Donations	0	0	0
Miscellaneous	100,222	16,896	0
<i>Total Revenues</i>	<u>7,136,461</u>	<u>282,688</u>	<u>437,867</u>
Expenditures			
Current:			
Instruction:			
Regular	3,216,433	0	0
Special	530,984	0	0
Vocational	63,660	0	0
Support Services:			
Pupil	231,880	0	0
Instructional Staff	326,237	0	0
Board of Education	77,605	0	0
Administration	773,556	0	0
Fiscal	192,431	4,930	0
Business	43,957	0	0
Operation and Maintenance of Plant	456,885	0	0
Pupil Transportation	495,370	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	296,467	0	0
Capital Outlay	93,242	0	158,419
Debt Service:			
Principal Retirement	20,000	0	0
Interest and Fiscal Charges	8,828	0	198,659
Bond Issuance Costs	0	100,907	0
<i>Total Expenditures</i>	<u>6,827,535</u>	<u>105,837</u>	<u>357,078</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>308,926</u>	<u>176,851</u>	<u>80,789</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	700	0	0
General Obligation Bonds Issued	0	0	7,900,000
Premium on Bond Issuance	0	104,878	0
Transfers In	0	0	0
Transfers Out	(200,734)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(200,034)</u>	<u>104,878</u>	<u>7,900,000</u>
<i>Net Change in Fund Balances</i>	108,892	281,729	7,980,789
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,286,178</u>	<u>2,067</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$2,395,070</u>	<u>\$283,796</u>	<u>\$7,980,789</u>

See accompanying notes to the basic financial statements

Fredericktown Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2001*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$8,680,151
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
		Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
\$255,850	\$3,553,510	Capital Outlays	515,147
493,262	4,484,452	Depreciation	(420,540)
0	435,800		
31,608	41,569	Total	94,607
219,957	219,957		
0	5,287		
328	328		
1,000	118,118		
1,002,005	8,859,021		
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
		Taxes	90,349
119,955	3,336,388	Grants	(13,196)
169,471	700,455		
0	63,660	Total	77,153
0	0		
38,018	269,898	Repayment of energy loans and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
16,327	342,564	Energy Loans	20,000
0	77,605	Capital Leases	6,345
3,500	777,056		
0	197,361	Total	26,345
0	43,957		
1,332	458,217		
0	495,370		
913	913	Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
178,275	474,742		14,748
263,486	515,147		
6,345	26,345	Bond issuance costs are reported as an expenditure in the governmental funds but are allocated as an expense over the life of the bonds on a full accrual basis.	
2,376	209,863	Issuance costs	100,907
0	100,907	Current year expense	(1,800)
799,998	8,090,448		
202,007	768,573	Total	99,107
0	700	Proceeds of bonds are reported as revenue in the governmental funds while in the statement of activities they are reported on the balance sheet.	
0	7,900,000	Proceeds of Bonds	(7,900,000)
0	104,878	Accrued Interest Payable	(75,498)
106,734	106,734	Premium on Bonds	(104,878)
0	(200,734)	Amortization of Premium	1,868
106,734	7,911,578		
308,741	8,680,151	Total	(8,078,508)
233,369	2,521,614	The internal service funds used by management to charge the the costs of health insurance is included in the statement of activities and not on the governmental fund expenditures.	
\$542,110	\$11,201,765		(204,479)
		<i>Change in Net Assets of Governmental Activities</i>	\$709,124

Fredericktown Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2001

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$2,562,200	\$2,697,650	\$2,811,002	\$113,352
Intergovernmental	3,975,870	3,975,870	3,963,002	(12,868)
Interest	125,000	125,000	189,112	64,112
Tuition and Fees	1,000	1,000	10,056	9,056
Rentals	5,500	5,500	5,287	(213)
Miscellaneous	20,000	20,000	99,687	79,687
<i>Total Revenues</i>	6,689,570	6,825,020	7,078,146	253,126
Expenditures				
Current:				
Instruction:				
Regular	4,008,980	3,862,492	3,418,359	444,133
Special	635,323	646,136	531,941	114,195
Vocational	74,505	74,505	66,015	8,490
Support Services:				
Pupil	245,207	253,870	248,492	5,378
Instructional Staff	424,096	442,960	361,392	81,568
Board of Education	110,837	110,837	92,481	18,356
Administration	706,214	819,401	794,751	24,650
Fiscal	216,319	216,691	193,071	23,620
Business	60,821	61,821	46,733	15,088
Operation and Maintenance of Plant	462,274	490,870	469,607	21,263
Pupil Transportation	611,837	585,299	506,285	79,014
Extracurricular Activities	385,973	387,007	299,297	87,710
Debt Service:				
Principal Retirement	20,000	20,000	20,000	0
Interest and Fiscal Charges	8,827	8,828	8,828	0
<i>Total Expenditures</i>	7,971,213	7,980,717	7,057,252	923,465
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,281,643)	(1,155,697)	20,894	1,176,591
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	0	0	700	700
Advances In	208,834	208,834	199,294	(9,540)
Advances Out	(250,000)	(250,000)	(8,400)	241,600
Operating Transfers Out	(500,000)	(500,000)	(200,734)	299,266
<i>Total Other Financing Sources (Uses)</i>	(541,166)	(541,166)	(9,140)	532,026
<i>Net Change in Fund Balance</i>	(1,822,809)	(1,696,863)	11,754	1,708,617
<i>Fund Balance Beginning of Year</i>	1,451,071	1,451,071	1,451,071	0
Prior Year Encumbrances Appropriated	371,738	371,738	371,738	0
<i>Fund Balance End of Year</i>	\$0	\$125,946	\$1,834,563	\$1,708,617

See accompanying notes to the basic financial statements

Fredericktown Local School District

Statement of Fund Net Assets

Proprietary Funds

June 30, 2001

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$66,884	\$0
Cash and Cash Equivalents		
With Fiscal Agents	0	275,342
Intergovernmental Receivable	141	0
Inventory Held for Resale	4,348	0
Materials and Supplies Inventory	1,651	0
	<hr/>	<hr/>
<i>Total Current Assets</i>	73,024	275,342
Capital Assets, Net	69,151	0
	<hr/>	<hr/>
<i>Total Assets</i>	142,175	275,342
	<hr/>	<hr/>
Liabilities		
Accounts Payable	5,522	0
Accrued Wages	18,074	0
Compensated Absences Payable	1,550	0
Intergovernmental Payable	17,442	0
Deferred Revenue	3,009	0
Claims Payable	0	125,406
	<hr/>	<hr/>
<i>Total Current Liabilities</i>	45,597	125,406
Long-Term Liabilities:		
Compensated Absences Payable	14,836	0
	<hr/>	<hr/>
<i>Total Liabilities</i>	60,433	125,406
	<hr/>	<hr/>
Net Assets		
Invested in Capital Assets	69,151	0
Unrestricted	12,591	149,936
	<hr/>	<hr/>
<i>Total Net Assets</i>	81,742	<u>\$149,936</u>
	<hr/>	<hr/>
Net assets reported for business-type activities in the statement of net assets is different because a liability reflecting participation in the internal service fund is included.	(13,283)	
	<hr/>	
Net assets of business-type activities	<u>\$68,459</u>	
	<hr/>	

See accompanying notes to the basic financial statements

Fredericktown Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2001*

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Operating Revenues		
Sales	\$213,513	\$0
Charges for Services	0	726,828
Miscellaneous	277	0
<i>Total Operating Revenues</i>	<u>213,790</u>	<u>726,828</u>
Operating Expenses		
Salaries	139,115	0
Fringe Benefits	64,093	0
Purchased Services	527	71,394
Materials and Supplies	9,446	0
Cost of Sales	135,718	0
Depreciation	6,846	0
Claims	0	879,997
Other	523	0
<i>Total Operating Expenses</i>	<u>356,268</u>	<u>951,391</u>
<i>Operating Loss</i>	<u>(142,478)</u>	<u>(224,563)</u>
Non-Operating Revenues		
Donated Commodities	10,971	0
Interest	433	13,433
Operating Grants	54,986	0
<i>Total Non-Operating Revenues</i>	<u>66,390</u>	<u>13,433</u>
<i>Loss Before transfers</i>	(76,088)	(211,130)
Transfers In	94,000	0
<i>Change in Net Assets</i>	17,912	(211,130)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>63,830</u>	<u>361,066</u>
<i>Net Assets End of Year</i>	<u>\$81,742</u>	<u>\$149,936</u>
Reconciliation of the Change in Net Assets for Enterprise Funds to the Change in Net Assets of Business-Type activities:		
Change in Net Assets of Enterprise Funds	\$17,912	
The change in net assets reported for businee-type activities in the statement of activities is different because certain expenses have been modified to reflect ongoing participation in the internal service fund.	<u>(6,651)</u>	
Change in Net Assets of Business-Type Activities	<u>\$11,261</u>	

See accompanying notes to the basic financial statements

Fredericktown Local School District

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2001

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$213,513	\$0
Cash Received from Transactions		
With Other Funds	0	658,568
Other Cash Receipts	426	108,747
Cash Payments to Employees for Services	(136,193)	0
Cash Payments for Employee Benefits	(65,154)	0
Cash Payments for Goods and Services	(137,849)	(71,394)
Cash Payments for Claims	0	(869,186)
	<u>0</u>	<u>(869,186)</u>
<i>Net Cash Used in Operating Activities</i>	<u>(125,257)</u>	<u>(173,265)</u>
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	54,994	0
Transfers In	94,000	0
	<u>148,994</u>	<u>0</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>148,994</u>	<u>0</u>
Cash Flows from Investing Activities		
Interest on Investments	433	13,433
	<u>433</u>	<u>13,433</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	24,170	(159,832)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>42,714</u>	<u>435,174</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$66,884</u>	<u>\$275,342</u>

(continued)

Fredericktown Local School District

Statement of Cash Flows

Proprietary Funds (continued)

For the Fiscal Year Ended June 30, 2001

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	(\$142,478)	(\$224,563)
Adjustments:		
Depreciation	6,846	0
Donated Commodities	10,971	0
(Increase) Decrease in Assets:		
Accounts Receivable	150	0
Due From Other Funds	0	40,487
Inventory Held for Resale	(92)	0
Materials and Supplies Inventory	(569)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,946)	0
Accrued Wages	2,922	0
Compensated Absences Payable	647	0
Due To Other Funds	(3,133)	0
Intergovernmental Payable	1,425	0
Claims Payable	0	10,811
	<u>0</u>	<u>10,811</u>
<i>Net Cash Used in Operating Activities</i>	<u>(\$125,257)</u>	<u>(\$173,265)</u>

See accompanying notes to the basic financial statements

Fredericktown Local School District
Statement of Assets and Liabilities
Agency Fund
June 30, 2001

	<u>Student Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$31,285</u>
<i>Total Assets</i>	<u><u>\$31,285</u></u>
Liabilities	
Due to Students	<u>\$31,285</u>
<i>Total Liabilities</i>	<u><u>\$31,285</u></u>

See accompanying notes to the basic financial statements

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 1 - Description of The School District

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

The School District was established in 1876. The School District serves an area of approximately 94 square miles. It encompasses most of the northwest quadrant of Knox County, including the Village of Fredericktown and portions of surrounding townships. In addition, a small portion of Morrow County is included in the School District boundaries. The School District is the 411th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 53 classified employees and 87 certificated employees who provide services to 1,213 students and other community members. The School District currently operates 3 instructional buildings and 2 support buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the 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 participates in the Tri-Rivers Educational Computer Association, a jointly governed organization and the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool. These organizations are presented in Note 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for two business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary fund is reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

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.

Bond Retirement Fund The debt service fund is used to account for property taxes and intergovernmental revenues, and the payment of, general long-term debt principal, interest and related costs.

Building Capital Projects Fund The building capital projects fund accounts for note and bond proceeds to be used for the acquisition and construction of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has two enterprise funds; food services which accounts for the sale of food to students and others, and uniform school supplies which accounts for the sale of school supplies to students.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical benefits.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

C. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

D. Cash and Cash Equivalents

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

During fiscal year 2001, investments were limited to STAROhio, the State Treasurer's Investment Pool, certificates of deposit, Federal Home Loan Notes, Federal Farm Credit Notes, Federal National Mortgage Association Notes, United States treasury money-market fund and repurchase agreements. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001. Certificates of deposit and the repurchase agreements are reported at cost. Federal agency securities and the United States treasury money-market fund are valued at market.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$196,592, which includes \$137,726 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are reflected on statement of net assets as "cash and cash equivalents with fiscal agent." The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include note proceeds to be used for capital construction and amounts required by statute to be set-aside to create a reserve for textbooks and instructional materials. See Note 19 for additional information regarding set asides.

H. Deferred Charges

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond issuance costs are reported as an expenditure on the governmental fund financial statements.

I. Bond Premium

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund financial statements, bond premiums are reported as an other financing source.

Fredericktown Local School District
Notes to the Basic Financial Statements
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J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital 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 possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	5 - 50 years	N/A
Buildings and Improvements	8 - 50 years	50 years
Furniture and Equipment	5 - 20 years	6 - 20 years
Vehicles	7 - 10 years	N/A

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. 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 employer will compensate the employees for the benefits through paid time off or some other means.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is based on accumulated sick leave and employee's 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 employees after eleven years of current service with the School District.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "matured compensated absences payable" in the funds from which the employees will be paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes and textbooks and instructional materials.

Fredericktown Local School District
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The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for textbooks and instructional materials represents money required to be set-aside by statute to provide a certain level of expenditures for textbooks and instructional materials.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for food service and uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the funds.

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2001.

S. 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.

Note 3 - Change in Accounting Principle and Restatement of Fund Balance

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type and governmental activities. Except for the restatement explained below and the adjustment for participation in the internal service fund, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2000, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

	General	Debt Service	Nonmajor	Total
Fund Balances, June 30, 2000	\$2,279,491	\$2,067	\$212,448	\$2,494,006
Implementation of Interpretation 6:				
Compensated Absences Payable	6,687	0	0	6,687
GASB 33 Adjustments:				
Intergovernmental Receivable	0	0	20,921	20,921
Adjusted Fund Balance, June 30, 2000	\$2,286,178	\$2,067	\$233,369	2,521,614
GASB 34 Adjustments:				
Capital Assets				2,782,352
Internal Service Fund				367,698
Long-Term (Deferred) Assets				155,721
Long-Term Liabilities				(917,326)
Governmental Activities Net Assets, June 30, 2000				\$4,910,059

At June 30, 2000, fixed assets were understated in the enterprise funds. This restatement had the following effect on fund equity as it was previously reported:

	Enterprise
Fund Equity June 30, 2000	\$4,264
Fixed Assets	59,566
Adjusted Net Assets June 30, 2000	\$63,830

The beginning of the year net asset balance for business-type activities reflects an adjustment to the net asset balance of the enterprise funds of \$6,632 to \$57,198 based on the elimination of the internal service fund.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 4 - Accountability

The summer intervention special revenue fund had a deficit fund balance of \$59 at June 30, 2001, which resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$108,892
Net Adjustment for Revenue Accruals	(58,315)
Advance In	199,294
Net Adjustment for Expenditure Accruals	(29,548)
Advance Out	(8,400)
Adjustment for Encumbrances	(200,169)
Budget Basis	<u><u>\$11,754</u></u>

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 6 - 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 that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies to 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. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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 interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At June 30, 2001, the School District's self-insurance internal service fund had a cash balance of \$275,342 with OME-RESA, a claims servicing pool (See Note 10). The Money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, Ohio 43952.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$545,665 and the bank balance was \$975,372. Of the bank balance:

9. \$261,020 of the bank balance was covered by depository insurance; and
10. \$714,352 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

or agent but not in the School District's name. The School District invests in the United State Treasury Money-Market Fund and STAROhio which are not classified by degree of risk since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$328,323	\$328,323	\$328,323
Federal Home Loan Mortgage	2,555,894	2,555,894	2,555,894
Federal Farm Credit Banks	2,506,725	2,506,725	2,506,725
Federal National Mortgage Association	2,480,100	2,480,100	2,480,100
United State Treasury Money-Market Fund		50,287	50,287
STAROhio		2,085,758	2,085,758
Totals	\$7,871,042	\$10,007,087	\$10,007,087

The classification of cash and cash equivalents, and investments on the combined basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$3,296,158	\$7,593,006
Cash on Hand	(50)	
Cash Held by Fiscal Agent	(336,362)	
Investments that are part of Cash and Investments		
Repurchase Agreements	(328,323)	328,323
STAROhio	(2,085,758)	2,085,758
<i>GASB Statement No. 3</i>	\$545,665	\$10,007,087

Note 7 - 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.

Fredericktown Local School District
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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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of the prior January 1, 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

	2000 Second Half Collections		2001 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$79,335,250	81.93%	\$86,702,030	82.05%
Public Utility	5,066,120	5.23	4,930,420	4.67
Tangible Personal Property	12,431,990	12.84	14,039,003	13.29
	\$96,833,360	100.00%	\$105,671,453	100.00%
Tax rate per \$1,000 of assessed valuation	\$49.20		\$54.53	

A levy was passed in May of 2000 for 2.5 mills. The School District issued a \$7.9 million bond in April of 2001. The collection on this bond issue levy to repay the bond issue began in January of fiscal year 2001.

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 later 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.

The School District receives property taxes from Knox and Morrow Counties. The 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2001, was \$1,276,500 and is recognized as revenue. \$983,000 was available to the general fund, \$204,200 was available to the bond retirement debt service fund and \$89,300 was available to the permanent improvement capital projects fund.

Note 8 - Receivables

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees), 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:

	Amounts
<i>Special Revenue Funds:</i>	
Title VI-B	\$10,676
Title I	28,795
Drug Free	2,025
<i>Total Special Revenue Funds</i>	41,496
<i>Enterprise</i>	
Food Service	141
<i>Total Intergovernmental Receivables</i>	\$41,637

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Governmental Activities				
<i>Non-Depreciable Assets</i>				
Land	\$83,500	\$35,000	\$0	\$118,500
Construction in Progress	0	158,418	0	158,418
<i>Total Non-Depreciable Assets</i>	83,500	193,418	0	276,918

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Depreciable Assets				
Land Improvements	829,939	95,000	0	924,939
Buildings and Improvements	2,331,056	0	0	2,331,056
Furniture and Equipment	1,090,155	60,996	(29,912)	1,121,239
Vehicles	507,199	165,733	(22,397)	650,535
Total Depreciable Assets	4,758,349	321,729	(52,309)	5,027,769
Less Accumulated Depreciation:				
Land Improvements	(514,423)	(105,511)	0	(619,934)
Buildings and Improvements	(931,294)	(118,545)	0	(1,049,839)
Furniture and Equipment	(382,026)	(141,258)	29,912	(493,372)
Vehicles	(231,754)	(55,226)	22,397	(264,583)
Total Accumulated Depreciation	(2,059,497)	(420,540)*	52,309	(2,427,728)
Depreciable Capital Assets, Net	2,698,852	(98,811)	0	2,600,041
Governmental Activities Capital Assets, Net				
	\$2,782,352	\$94,607	\$0	\$2,876,959
Business-Type Activities				
Buildings and Improvements	\$41,150	\$0	\$0	\$41,150
Furniture and Fixtures	109,951	0	0	109,951
Totals at Historical Cost	151,101	0	0	151,101
Less Accumulated Depreciation				
Buildings and Improvements	(9,826)	(2,084)	0	(11,910)
Furniture and Fixtures	(65,278)	(4,762)	0	(70,040)
Total Accumulated Depreciation	(75,104)	(6,846)	0	(81,950)
Business-Type Activities Capital Assets, Net	\$75,997	(\$6,846)	\$0	\$69,151

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$243,659
Special	8,016
Vocational	7,522
Support Services:	
Pupil	4,640
Instructional Staff	11,898
Administration	46,730
Fiscal	1,921
Operation and Maintenance of Plant	12,475
Pupil Transportation	56,338
Extra-Curricular Activities	
Sports Oriented Activities	27,341
Total Depreciation Expense	\$420,540

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 10 - 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 2001, the School District contracted with Utica National Insurance Group for buildings and contents and Nationwide Insurance Enterprises for fleet and liability insurance.

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Utica National Insurance Group	Property	\$13,524,834
Nationwide Insurance Enterprises	General Liability, in aggregate	5,000,000
	General Liability, per occurrence	2,000,000
	Fleet Insurance, single limit	2,000,000
	Fleet Insurance, uninsured	2,000,000
	Auto Medical Payments	5,000

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

B. Workers' Compensation

The School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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. 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 & Company provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District offers medical and surgical insurance to all employees, while dental insurance is offered to all certified employees through a self-insurance internal service fund. The School District is self insured with Self-Fund Plans, Incorporated, service as the third party administrator. The claims liability of \$160,187 reported in the internal service fund at June 30, 2001 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in fiscal years 1999, 2000 and 2001 were:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
1999	\$102,632	\$729,840	\$724,459	\$108,013
2000	108,013	641,979	635,397	114,595
2001	114,595	879,997	869,186	125,406

Note 11 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators 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 a maximum of 220 days for certified and 216 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 54 days for certified personnel and 55 days for classified personnel. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through Self-Funded Plans, Incorporated. The Board pays the cost of the monthly premium, \$2.70 per employee.

Note 12- Defined Benefit Pension Plans

A. School Employees Retirement System

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

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$43,397, \$48,997 and \$61,044 respectively; 41.25 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$46,742 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. 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, 2001, 2000, and 1999 were \$338,936, \$208,393 and \$200,588 respectively; 82.85 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$36,705 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

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

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$160,549 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$115,106.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 14 - Long-Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 6/30/00	Additions	Reductions	Principal Outstanding 6/30/01	Amounts Due in One Year
Governmental Activities					
2001 School Improvement Bonds	\$0	\$7,900,000	\$0	\$7,900,000	\$55,000
Premium on Bonds	0	104,878	(1,868)	103,010	3,746
1998 Energy Conservation Bonds	175,000	0	(20,000)	155,000	20,000
Capital Leases	28,708	0	(6,345)	22,363	6,870
Compensated Absences	654,431	40,687	(59,076)	636,042	60,168
Total Governmental Activities					
Long-Term Liabilities	<u>\$858,139</u>	<u>\$8,045,565</u>	<u>(\$87,289)</u>	<u>\$8,816,415</u>	<u>\$145,784</u>
Business-Type Activities					
Compensated Absences	<u>\$15,739</u>	<u>\$647</u>	<u>\$0</u>	<u>\$16,386</u>	<u>\$1,550</u>

On April 19, 2001, Fredericktown Local School District issued \$7,900,000 in voted general obligation bonds for the purpose of high school and elementary school additions. The bonds were issued for a twenty-nine year period with final maturity at June 1, 2029. These bonds were issued at a premium of \$104,878.

On September 15, 1997, Fredericktown Local School District issued \$203,515 in energy conservation bonds. The bonds were issued for a ten-year period with final maturity at June 1, 2008.

All general obligation bonds will be paid from property taxes.

Compensated absences will be paid from the general fund and from the food service fund. The capital lease will be paid from the permanent improvement capital projects fund.

The School District's overall debt margin was \$1,751,047 with an unvoted debt margin of \$105,671 at June 30, 2001. Principal and interest requirements to retire general obligation bonds and energy conservation bonds outstanding at June 30, 2001 are as follows:

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Year	General Obligation Bonds		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
2002	\$55,000	\$456,280	\$20,000	\$7,758
2003	85,000	401,805	20,000	6,688
2004	115,000	398,005	20,000	5,618
2005	125,000	393,445	20,000	4,548
2006	140,000	388,270	25,000	3,344
2007-2011	955,000	1,828,810	50,000	2,675
2012-2016	1,220,000	1,559,722	0	0
2017-2021	1,605,000	1,154,226	0	0
2022-2026	2,080,000	676,145	0	0
2027-2029	1,520,000	121,420	0	0
Total principal	<u>\$7,900,000</u>	<u>\$7,378,128</u>	<u>\$155,000</u>	<u>\$30,631</u>

Note 15 - Note Debt

The School issued a note for \$7,900,000 in anticipation of issuing bonds for school improvements. The activity including amounts outstanding and interest rates is as follows:

	Balance 6/30/00	Additions	Reductions	Balance 6/30/01
2000 - 4.92% Bond Anticipation Note	\$0	\$7,900,000	\$7,900,000	\$0

As of June 30, 2001, \$158,418 of the proceeds had been expended and is included in construction in progress.

Note 16 - Capitalized Leases - Lessee Disclosure

In prior fiscal years, the School District entered into a capitalized lease for modular classrooms. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$37,429, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Fiscal Year Ending June 30,	
2002	\$8,721
2003	8,721
2004	8,721
Total minimum lease payments	26,163
Less: amount representing interest	(3,800)
Present value of minimum lease payments	\$22,363

Note 17 - Jointly Governed Organization and Public Entity Risk Pool

A. Jointly Governed Organization

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Marion, Morrow, Knox and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing Board of TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$61,160 to TRECA during fiscal year 2001 for services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

B. Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 - Contingencies

A. Grants

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

B. Litigation

The School District is not a party to any legal proceedings.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 19 - Set-Asides

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 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. Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code, Section 5705.29, effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The District is still required by State law to maintain the textbook reserve and the capital improvements reserve. These funds are shown as designated fund balance in the general fund.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbook/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2000	\$83,846	\$0	\$104,636
Current Year Set-aside Requirement	0	155,854	155,854
Permanent Improvement Levy Offset	0	(205,103)	0
Qualifying Disbursements	(83,846)	0	(213,491)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>(\$49,249)</u>	<u>\$46,999</u>
Set-Aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$46,999</u>

The total reserve balance for the set-asides at the end of the fiscal year was \$46,999.

Note 20 - Subsequent Event

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

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

Fredericktown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

Note 21 - Interfund Transfers

Transfers made from the general fund during fiscal year 2001 were \$47,053 to the classroom facilities capital projects fund, \$59,681 to the power up capital projects fund and \$94,000 to the food service enterprise fund. These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department Of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: National School Lunch Program	N/A	10.555	\$51,636	\$0	\$51,636	\$0
Special Milk Program	N/A	10.556	1,349	0	1,349	0
Food Distribution	N/A	10.550	0	11,750	0	11,970
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>52,985</u>	<u>11,750</u>	<u>52,985</u>	<u>11,970</u>
U.S. Department Of Labor						
<i>Passed Through Ohio Department of Education:</i>						
Employment Services and Job Training	047852 WK-BE	17.249	0	0	1,996	0
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-2000	84.010	28,794	0	82,559	0
	C1-S1-2001		108,317	0	47,190	0
Total Title I Grants to Local Educational Agencies			<u>137,111</u>	<u>0</u>	<u>129,749</u>	<u>0</u>
Innovative Education Program Strategies	C2-S1-2000	84.298	3,184	0	7,583	0
	C2-S1-2001		6,039	0	4,411	0
Total Innovative Education Program Strategies			<u>9,223</u>	<u>0</u>	<u>11,994</u>	<u>0</u>
Special Education Grants to States	6B-SF-1999 P	84.027	9,302	0	40,045	0
	6B-SF-2000 P		96,093	0	58,421	0
Total Special Education Grants to States			<u>105,395</u>	<u>0</u>	<u>98,466</u>	<u>0</u>
Eisenhower Profeciency Development Grant	MS-S1-2001	84.281	4,926	0	4,926	0
Drug Free Schools Grant	DR-S1-2001	84.186	3,563	0	6,472	0
Classroom Reduction	CR-S1-2000	84.340	9,385	0	10,677	0
	CR-S1-2001		25,197	0	16,095	0
Total Classroom Reduction			<u>34,582</u>	<u>0</u>	<u>26,772</u>	<u>0</u>
Character Education	CE-2001	84.215	0	0	3,817	0
Goals 2000	G2-S2-1999	84.276	0	0	1,050	0
Total U.S. Department of Education			<u>294,800</u>	<u>0</u>	<u>283,246</u>	<u>0</u>
Totals			<u><u>\$347,785</u></u>	<u><u>\$11,750</u></u>	<u><u>\$338,227</u></u>	<u><u>\$11,970</u></u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had food commodities valued at \$3,010 in inventory.



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

Board of Education
Fredericktown Local School District
Knox County
134 West Second Street
Fredericktown, Ohio 43019

We have audited the basic financial statements of Fredericktown Local School District, Knox County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated March 13, 2002, in which we noted the District adopted Governmental Accounting Standards Board (GASB) Nos. 33 and 34 and GASB Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 13, 2002.

This report is intended for the information and use of the audit committee, 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

March 13, 2002



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

Board of Education
Fredericktown Local School District
Knox County
134 West Second Street
Fredericktown, Ohio 43019

We have audited the compliance of Fredericktown Local School District, Knox County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be 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. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 13, 2002.

This report is intended for the information and use of the audit committee, 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

March 13, 2002

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.027 - Special Education Grants to States
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY
JUNE 30, 2001**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-001	Expenditures Exceeded Appropriations	Yes	N/A
2000-002	Decreased Amended Certificates	Yes	N/A
2000-003	Board Monitoring - Budget VS Actual	Yes	N/A
2000-004	Timely Posting of Budgetary Amendments	No	Partially Corrected - Reported in the Management Letter



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FREDERICKTOWN LOCAL SCHOOL DISTRICT

KNOX 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
APRIL 2, 2002**