

Norman
Jones
Enlow
& Co.

Certified Public Accountants
& Management Consultants

**FORT FRYE LOCAL SCHOOL DISTRICT
ANNUAL REPORT
June 30, 1999**

**FORT FRYE LOCAL SCHOOL DISTRICT
ANNUAL REPORT
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**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
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WASHINGTON COUNTY
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FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
ELECTED OFFICIALS
AS OF JUNE 30, 1999

<u>Elected Officials</u>	<u>Title</u>	<u>Surety</u>	<u>Amount</u>	<u>Term of Office</u>
<u>Board of Education:</u>				
David H. White	President	(A)	\$20,000	1/1/98-12/31/01
Joseph Prieto	Vice President	N/A	N/A	1/1/96-12/31/99
Lisa Perry	Member	N/A	N/A	1/1/98-12/31/01
William Z. Waite	Member	N/A	N/A	1/1/98-12/31/01
Daniel Schott	Member	N/A	N/A	9/15/98-12/31/99

Statutory Legal Counsel

Michael G. Spahr, Prosecuting Attorney
 205 Putnam Street
 Marietta, Ohio 43750

Official Address

Fort Frye Local School District
 P.O. Box 1149
 Beverly, Ohio 45715-1149

(A) Ohio Farmers Insurance Company

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999**

<u>Name</u>	<u>Title</u>	<u>Contract Period</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
Larry D. James	Treasurer	1/09/99-Organizational Meeting 2001	(A)	\$ 20,000	1/09/99-1/09/00
Robert W. Heinlein	Superintendent	8/01/98-7/31/99	(A)	\$ 20,000	8/01/98-7/31/99

(A) Ohio Farmers Insurance Company

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
INDEX OF FUNDS**

GOVERNMENTAL FUND TYPES:

General Fund Type:

- **General Fund**

Special Revenue Fund Types:

- **Public School Support Fund**
- **School Managed Activity Funds**
- **Disadvantaged Pupil Program Fund**
- **School Age Child Care Grant Fund**
- **Education Management Information System Fund**
- **Disadvantaged Pupil Impact Aid Fund**
- **Eisenhower Math and Science Fund**
- **Special Education Grants to States (IDEA Part B)**
- **Grants to Local Educational Agencies (Title I of ESEA)**
- **Drug Free Schools Fund**
- **School to Work Grant Fund**

Capital Projects Fund

- **Permanent Improvement Fund**
- **Building Fund**
- **School Net Fund**

PROPRIETARY FUND TYPE:

Enterprise Fund Types:

- **Food Services Fund**
- **Uniform School Supplies Fund**
- **Adult Education Fund**

PROPRIETARY FUND TYPE:

Agency Fund Type:

- **Student Managed Activities Fund**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Fort Frye Local School District
Beverly, Ohio

We have reviewed the Independent Auditor's Report of the Fort Frye Local School District, Washington County, prepared by Norman Jones Enlow & Co., for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fort Frye Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

May 2, 2000

INDEPENDENT AUDITORS' REPORT

Board of Education
Fort Frye Local School District
Beverly, Ohio

We have audited the accompanying general purpose financial statements of the Fort Frye Local School District as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fort Frye Local School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year ended in conformity with generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 1999, on our consideration of Fort Frye Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Norman Jones Enlow & Co.

Zanesville, Ohio
November 18, 1999

Fort Frye Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$728,904	\$145,380	\$103,827
<u>Receivables:</u>			
Taxes	4,185,300	0	0
Accounts	4,811	1,088	0
Intergovernmental	1,890	7,594	320
Interfund	20,019	0	0
Prepaid Items	10,983	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	0	0	0
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	72,655	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<u>Other Debits:</u>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debits	 \$5,024,562	 \$154,062	 \$104,147

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$9,137	\$18,525	\$0	\$0	\$1,005,773
0	0	0	0	4,185,300
0	0	0	0	5,899
22,978	0	0	0	32,782
0	0	0	0	20,019
0	0	0	0	10,983
4,938	0	0	0	4,938
764	0	0	0	764
0	0	0	0	72,655
29,811	0	7,366,406	0	7,396,217
0	0	0	989,957	989,957
<u>\$67,628</u>	<u>\$18,525</u>	<u>\$7,366,406</u>	<u>\$989,957</u>	<u>\$13,725,287</u>

(continued)

See accompanying notes to the general purpose financial statements

Fort Frye Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 1999

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<u>Liabilities, Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$49,469	\$13,158	\$0
Accrued Wages and Benefits Payable	475,399	49,183	0
Compensated Absences Payable	30,962	0	0
Interfund Payable	0	3,685	0
Intergovernmental Payable	104,733	5,900	0
Deferred Revenue	4,177,343	0	0
Due to Students	0	0	0
Special Termination Benefits Payable	3,066	0	0
Energy Conservation Loan Payable	0	0	0
Tax Refund Payable	0	0	0
Total Liabilities	<u>4,840,972</u>	<u>71,926</u>	<u>0</u>
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	108,831	23,226	25,760
Reserved for Property Taxes	7,957	0	0
Reserved for School Bus Purchase	37,154	0	0
Reserved for Budget Stabilization	35,501	0	0
Unreserved:			
Undesignated (Deficit)	(5,853)	58,910	78,387
Total Fund Equity (Deficit) and Other Credits	<u>183,590</u>	<u>82,136</u>	<u>104,147</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,024,562</u>	<u>\$154,062</u>	<u>\$104,147</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$117	\$0	\$0	\$0	\$62,744
25,599	0	0	0	550,181
17,965	0	0	739,284	788,211
16,334	0	0	0	20,019
16,711	0	0	65,633	192,977
3,029	0	0	0	4,180,372
0	18,525	0	0	18,525
0	0	0	14,388	17,454
0	0	0	80,694	80,694
0	0	0	89,958	89,958
<u>79,755</u>	<u>18,525</u>	<u>0</u>	<u>989,957</u>	<u>6,001,135</u>
0	0	7,366,406	0	7,366,406
148,181	0	0	0	148,181
(160,308)	0	0	0	(160,308)
0	0	0	0	157,817
0	0	0	0	7,957
0	0	0	0	37,154
0	0	0	0	35,501
0	0	0	0	131,444
<u>(12,127)</u>	<u>0</u>	<u>7,366,406</u>	<u>0</u>	<u>7,724,152</u>
<u>\$67,628</u>	<u>\$18,525</u>	<u>\$7,366,406</u>	<u>\$989,957</u>	<u>\$13,725,287</u>

Fort Frye Local School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Taxes	\$4,016,706	\$0	\$0	\$4,016,706
Intergovernmental	2,104,563	548,193	217,610	2,870,366
Interest	63,754	0	0	63,754
Tuition and Fees	52,284	1,216	0	53,500
Extracurricular Activities	0	97,753	0	97,753
Miscellaneous	23,899	4,559	0	28,458
Total Revenues	6,261,206	651,721	217,610	7,130,537
Expenditures:				
Current:				
Instruction:				
Regular	2,719,008	58,407	0	2,777,415
Special	304,549	319,395	0	623,944
Vocational	237,872	1,548	0	239,420
Other	105,321	0	0	105,321
Support Services:				
Pupils	170,920	9,702	0	180,622
Instructional Staff	290,149	74,384	0	364,533
Board of Education	20,387	0	0	20,387
Administration	710,423	8,562	0	718,985
Fiscal	277,996	0	0	277,996
Business	525	0	0	525
Operation of Plant	724,395	12,769	0	737,164
Pupil Transportation	482,711	0	0	482,711
Central	47,427	0	0	47,427
Operation of Non-Instructional Services	0	62,904	0	62,904
Extracurricular Activities	85,333	88,786	0	174,119
Capital Outlay	0	0	159,400	159,400
Refund of Property Taxes	23,089	0	0	23,089
Debt Service:				
Principal Retirement	137,139	0	0	137,139
Interest and Fiscal Charges	8,943	0	0	8,943
Total Expenditures	6,346,187	636,457	159,400	7,142,044
Excess of Revenues Over (Under) Expenditures	(84,981)	15,264	58,210	(11,507)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	2,651	0	0	2,651
Operating Transfers In	0	2,241	0	2,241
Operating Transfers Out	(2,280)	0	0	(2,280)
Total Other Financing Sources (Uses)	371	2,241	0	2,612
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(84,610)	17,505	58,210	(8,895)
Fund Balances at Beginning of Year	268,200	64,631	45,937	378,768
Fund Balances at End of Year	\$183,590	\$82,136	\$104,147	\$369,873

See accompanying notes to the general purpose financial statements

Fort Frye Local School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$4,001,334	\$4,028,720	\$27,386
Intergovernmental	2,107,352	2,107,352	0
Interest	59,208	63,921	4,713
Tuition and Fees	52,184	52,284	100
Extracurricular Activities	0	0	0
Miscellaneous	16,604	18,157	1,553
Total Revenues	6,236,682	6,270,434	33,752
Expenditures:			
Current:			
Instruction:			
Regular	2,698,214	2,698,019	195
Special	303,641	303,641	0
Vocational	238,523	238,523	0
Other	116,108	116,108	0
Support Services:			
Pupils	170,634	170,634	0
Instructional Staff	292,696	292,696	0
Board of Education	19,924	19,924	0
Administration	720,973	720,973	0
Fiscal	280,101	280,101	0
Business	497	497	0
Operation of Plant	844,439	844,439	0
Pupil Transportation	532,724	532,724	0
Central	50,891	50,891	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	81,433	81,433	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	137,139	137,139	0
Interest and Fiscal Charges	8,943	8,943	0
Total Expenditures	6,496,880	6,496,685	195
Excess of Revenues Over (Under) Expenditures	(260,198)	(226,251)	33,947
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	2,154	2,154	0
Proceeds from Sale of Fixed Assets	7,185	7,185	0
Advances In	0	0	0
Operating Transfers In	0	0	0
Refund of Prior Year Receipts	(23,089)	(23,089)	0
Operating Transfers Out	(2,280)	(2,280)	0
Advances Out	(2,906)	(2,906)	0
Total Other Financing Sources (Uses)	(18,936)	(18,936)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(279,134)	(245,187)	33,947
Fund Balances at Beginning of Year	578,251	578,251	0
Prior Year Encumbrances Appropriated	326,209	326,209	0
Fund Balances at End of Year	\$625,326	\$659,273	\$33,947

See accompanying notes to the general purpose financial statements

(continued)

Fort Frye Local School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Fiscal Year Ended June 30, 1999

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$0	\$0	\$0
Intergovernmental	510,607	540,107	29,500
Interest	0	0	0
Tuition and Fees	1,216	1,216	0
Extracurricular Activities	97,279	97,279	0
Miscellaneous	4,559	4,559	0
Total Revenues	613,661	643,161	29,500
Expenditures:			
Current:			
Instruction:			
Regular	60,286	60,086	200
Special	318,228	318,228	0
Vocational	1,548	1,548	0
Other	0	0	0
Support Services:			
Pupils	8,828	8,828	0
Instructional Staff	73,599	73,599	0
Board of Education	0	0	0
Administration	8,562	8,562	0
Fiscal	0	0	0
Business	0	0	0
Operation of Plant	12,769	12,769	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	87,279	87,279	0
Extracurricular Activities	83,369	83,369	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	654,468	654,268	200
Excess of Revenues Over (Under) Expenditures	(40,807)	(11,107)	29,700
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	2,906	2,906	0
Operating Transfers In	2,241	2,241	0
Refund of Prior Year Receipts	(874)	(874)	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	4,273	4,273	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(36,534)	(6,834)	29,700
Fund Balances at Beginning of Year	96,718	96,718	0
Prior Year Encumbrances Appropriated	25,640	25,640	0
Fund Balances at End of Year	\$85,824	\$115,524	\$29,700

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$4,001,334	\$4,028,720	\$27,386
167,637	217,290	49,653	2,785,596	2,864,749	79,153
0	0	0	59,208	63,921	4,713
0	0	0	53,400	53,500	100
0	0	0	97,279	97,279	0
0	0	0	21,163	22,716	1,553
<u>167,637</u>	<u>217,290</u>	<u>49,653</u>	<u>7,017,980</u>	<u>7,130,885</u>	<u>112,905</u>
104,876	154,529	(49,653)	2,863,376	2,912,634	(49,258)
0	0	0	621,869	621,869	0
0	0	0	240,071	240,071	0
0	0	0	116,108	116,108	0
0	0	0	179,462	179,462	0
140	140	0	366,435	366,435	0
0	0	0	19,924	19,924	0
0	0	0	729,535	729,535	0
0	0	0	280,101	280,101	0
0	0	0	497	497	0
0	0	0	857,208	857,208	0
0	0	0	532,724	532,724	0
0	0	0	50,891	50,891	0
0	0	0	87,279	87,279	0
0	0	0	164,802	164,802	0
42,300	42,300	0	42,300	42,300	0
0	0	0	137,139	137,139	0
0	0	0	8,943	8,943	0
<u>147,316</u>	<u>196,969</u>	<u>(49,653)</u>	<u>7,298,664</u>	<u>7,347,922</u>	<u>(49,258)</u>
<u>20,321</u>	<u>20,321</u>	<u>0</u>	<u>(280,684)</u>	<u>(217,037)</u>	<u>63,647</u>
0	0	0	2,154	2,154	0
0	0	0	7,185	7,185	0
0	0	0	2,906	2,906	0
0	0	0	2,241	2,241	0
0	0	0	(23,963)	(23,963)	0
0	0	0	(2,280)	(2,280)	0
0	0	0	(2,906)	(2,906)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,663)</u>	<u>(14,663)</u>	<u>0</u>
20,321	20,321	0	(295,347)	(231,700)	63,647
1,956	1,956	0	676,925	676,925	0
55,790	55,790	0	407,639	407,639	0
<u>\$78,067</u>	<u>\$78,067</u>	<u>\$0</u>	<u>\$789,217</u>	<u>\$852,864</u>	<u>\$63,647</u>

Fort Frye Local School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds
<u>Operating Revenues:</u>	
Tuition	\$24,688
Sales	220,008
	244,696
<u>Operating Expenses:</u>	
Salaries	126,600
Fringe Benefits	75,203
Purchased Services	2,227
Materials and Supplies	44,761
Cost of Sales	162,121
Depreciation	6,804
	417,716
Total Operating Expenses	417,716
Operating Loss	(173,020)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	34,052
Operating Grants	146,736
	180,788
Total Non-Operating Revenues	180,788
Income Before Operating Transfers	7,768
Operating Transfers In	39
Net Income	7,807
Retained Earnings (Deficit) at Beginning of Year - Restated (Note 3)	(168,115)
Retained Earnings (Deficit) at End of Year	(160,308)
Contributed Capital at Beginning and End of Year	148,181
Total Fund Equity (Deficit) at End of Year	(\$12,127)

See accompanying notes to the general purpose financial statements

Fort Frye Local School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Tuition	\$24,688	\$24,688	\$0
Sales	220,008	220,008	0
Operating Grants	139,813	139,813	0
Total Revenues	384,509	384,509	0
<u>Expenses:</u>			
Salaries	119,752	119,752	0
Fringe Benefits	77,539	77,539	0
Purchased Services	2,227	2,227	0
Materials and Supplies	173,649	173,649	0
Capital Outlay	6,774	6,774	0
Total Expenses	379,941	379,941	0
Excess of Revenues Over Expenses	4,568	4,568	0
Operating Transfers In	39	39	0
Excess of Revenues Over Expenses and Operating Transfers	4,607	4,607	0
Fund Equity at Beginning of Year	3,250	3,250	0
Prior Year Encumbrances Appropriated	1,180	1,180	0
Fund Equity at End of Year	\$9,037	\$9,037	\$0

See accompanying notes to the general purpose financial statements

Fort Frye Local School District, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds
Increase (Decrease) in	
<u>Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$220,008
Cash Received from Tuition Payments	24,688
Cash Payments to Suppliers for Goods and Services	(175,876)
Cash Payments for Employee Services	(119,752)
Cash Payments for Employee Benefits	(77,539)
	(128,471)
Net Cash Used for Operating Activities	
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Transfers In	39
Operating Grants Received	139,813
	139,852
Net Cash Provided by Noncapital Financing Activities	
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(6,674)
	4,707
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents at Beginning of Year	4,430
Cash and Cash Equivalents at End of Year	\$9,137
Reconciliation of Operating Loss to	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$173,020)
Adjustments to Reconcile Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Depreciation	6,804
Donated Commodities Used During Year	34,052
Changes in Assets and Liabilities:	
Decrease in Inventory Held for Resale	177
Decrease in Materials and Supplies Inventory	218
Decrease in Accounts Payable	(1,766)
Increase in Accrued Wages and Benefits Payable	2,953
Increase in Compensated Absences Payable	4,066
Decrease in Intergovernmental Payable	(1,955)
	44,549
Total Adjustments	
Net Cash Used for Operating Activities	(\$128,471)

See accompanying notes to the general purpose financial statements

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 75 classified employees, 84 certified teaching personnel, and 8 administrators, who provide services to 1,237 students and other community members.

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

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

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

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

Account Groups:

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

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

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Washington County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$63,754, which includes \$15,884 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year, the School District had no investments that met these criteria.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for the calculation of the year end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

I. Intergovernmental Revenues

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

The School District currently participates in several State and Federal programs, categorized as follows:

- Entitlements*
 - General Fund*
 - State Foundation Program
 - State Property Tax Relief
 - School Bus Program

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Title VI-B
- Drug Free Schools
- Textbook Subsidy
- Instructional Material Subsidy
- Power-up Grant
- Early Childhood Education Development Grant
- School-Age Child Care Grant
- School-to-Work Grant
- Library Automation Grant
- Continuous Improvement Grant
- Telecommunity Grant
- Professional Development Block Grant

Capital Projects Funds

- School Net
- School Net Plus
- School Net Individual Pilot

Reimbursable Grants

Special Revenue Funds

- E-Rate
- School-to-Work
- FEMA

Proprietary Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 40 percent of governmental fund revenue during the 1999 fiscal year.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

J. Interfund Assets/Liabilities

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

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year end are considered not to have been paid using current available financial resources. Long-term loans are recognized as a liability of the general long-term obligations account group until due.

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

M. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

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

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

O. Contributed Capital

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

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

P. Estimates

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - PRIOR YEAR RESTATEMENTS

Fixed assets in the Lunchroom Enterprise Fund were overstated by \$14,581 in the previous year. Retained Earnings at July 1, 1998, decreased from (\$167,492) to (\$168,115). The general fixed assets account group was overstated by \$936,373 in the previous year. The balance at July 1, 1998, decreased from \$8,031,029 to \$7,094,656. The general long-term obligations account group was understated by \$1,641 in the previous year. The balance at July 1, 1998, increased from \$1,090,164 to \$1,091,805 due to the restatement of the tax refund payable.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 1999, the Disadvantaged Pupil Impact Aid and the Title VI-B Special Revenue Funds had deficit fund balances of \$5,254 and \$2,127, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Lunchroom Enterprise Fund had deficit retained earnings of \$160,443 at June 30, 1999. The deficit is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

B. Statutory Compliance

The School Net Individual Pilot Capital Projects Fund had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code, in the amount of \$49,653 in the Regular Instruction Function.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Ohio Revised Code Section 5705.39 prohibits appropriations from exceeding estimated resources and carryover balances. The Disadvantaged Pupil Impact Aid Special Revenue Fund had appropriations (\$34,058) in excess of estimated resources and carryover balances (\$33,279), creating an excess of \$779. The School District will revise the appropriation ordinance during the year and amend the certificate of estimated resources as needed in an effort to eliminate appropriations in excess of estimated resources in the future.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	(\$84,610)	\$17,505	\$58,210
Revenue Accruals	16,065	(8,560)	(320)
Unreported Items	(149)	0	0
Advances In	0	2,906	0
Expenditure Accruals	(30,671)	10,392	(11,809)
Advances Out	(2,906)	0	0
Encumbrances	<u>(142,916)</u>	<u>(29,077)</u>	<u>(25,760)</u>
Budget Basis	<u>(\$245,187)</u>	<u>(\$6,834)</u>	<u>\$20,321</u>

Net Income/Excess of Revenues
Over Expenses and Operating Transfers
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	\$7,807
Revenue Accruals	(6,923)
Expense Accruals	3,693
Capital Outlay	(6,674)
Depreciation Expense	6,804
Encumbrances	<u>(100)</u>
Budget Basis	<u>\$4,607</u>

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,078,428 and the bank balance was \$1,138,197. Of the bank balance, \$105,825 was covered by federal depository insurance and \$1,032,372 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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.

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of its true value.

The assessed values upon which fiscal year 1999 taxes were collected in Washington County are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$38,028,470	80%	\$45,695,590	86%
Public Utility	6,400,130	14%	5,568,250	10%
Tangible Personal Property	<u>2,759,920</u>	<u>6%</u>	<u>2,321,940</u>	<u>4%</u>
Total Assessed Value	<u>\$47,188,520</u>	<u>100%</u>	<u>\$53,585,780</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$35.50		\$35.50	

Real and public utility property taxes are payable annually and semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District receives property taxes from Washington, Morgan, and Noble Counties. The Washington County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$7,957 and is recognized as revenue in the General Fund. The amount available as an advance at June 30, 1998, was \$19,971.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	<u>Amounts</u>
Kids on Campus	\$1,082
Transportation	416
Basic State Aid Adjustment	142
Miscellaneous	<u>250</u>
Total General Fund	<u>1,890</u>
Special Revenue Funds:	
School-to-Work	5,000
E-Rate	<u>2,594</u>
Total Special Revenue Funds	<u>7,594</u>
Capital Projects Fund: E-Rate	<u>320</u>
Enterprise Fund:	
National School Lunch and Breakfast	<u>22,978</u>
Total Intergovernmental Receivables	<u>\$32,782</u>

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$157,574
Less: Accumulated depreciation	<u>(127,763)</u>
Net Fixed Assets	<u>\$29,811</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance at 06/30/98	Additions	Reductions	Balance at 06/30/99
Land	\$742,085	\$48,397	\$0	\$790,482
Buildings	3,920,346	16,512	0	3,936,858
Furniture and Equipment	1,612,809	152,341	0	1,765,150
Vehicles	819,416	54,500	0	873,916
Total	<u>\$7,094,656</u>	<u>\$271,750</u>	<u>\$0</u>	<u>\$7,366,406</u>

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 1999, the School District contracted with Westfield Insurance Company for property insurance and Hartford Steam Boiler Inspection and Insurance Company for boiler and machinery coverage. The policies include a \$500 deductible for boiler and machinery and a \$250 deductible for property.

Professional and general liability is protected by the Nationwide Insurance Company with a \$2,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Vehicles are covered by Grange Mutual Casualty Company and has a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 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, 1999, 1998, and 1997 were \$159,360, \$303,561 and \$345,503, respectively; 85.21 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$23,569 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 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, 1999, 1998, and 1997 were \$64,358, \$97,151 and \$96,387, respectively; 43.38 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$36,440 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTE 12 - POST-EMPLOYMENT BENEFITS

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$212,480 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, 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 1999 fiscal year equaled \$92,166.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

The School District provides health and major medical insurance for all eligible employees. The School District pays monthly premiums of up to \$382.36 for family coverage and up to \$154.22 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The School District also provides prescription drug insurance to its employees through Medical Mutual Of Ohio. This plan utilizes a \$4 per prescription deductible for name brands and no deductible for generic brands.

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

Dental coverage is provided through Delta Plan of Ohio. Premiums for this coverage are \$39.14 monthly for family and \$13.42 for single coverage.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<u>Outstanding</u> <u>06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>06/30/99</u>
Compensated Absences	\$688,646	\$239,375	\$188,737	\$739,284
Tax Refund	113,047	0	23,089	89,958
Special Termination Benefits	0	14,388	0	14,388
Energy Conservation Loan - 5.80%	217,833	0	137,139	80,694
Long-Term Pension Liability	<u>72,279</u>	<u>65,633</u>	<u>72,279</u>	<u>65,633</u>
Total Long-Term Obligations	<u>\$1,091,805</u>	<u>\$319,396</u>	<u>\$421,244</u>	<u>\$989,957</u>

Based on the March 26, 1997 decision by the Ohio State Supreme Court, the School District is required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The liability will be paid from the General Fund through reductions in tax settlements. No interest will be charged on the liability for the 1992 through 1996 tax years. Requirements to retire the Tax Refund obligation at June 30, 1999, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	
2000	\$23,088
2001	23,088
2002	23,089
2003	<u>20,693</u>
Total	<u>\$89,958</u>

Energy Conservation Loan - During fiscal year 1998, the School District issued a loan for \$263,320 for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a two year period with final maturity during fiscal year 2000. This note will be repaid with energy savings. The note liability is reflected in the general long-term obligations account group. The Capital Improvement Capital Projects Fund received the proceeds. Principal of \$80,694 and interest of \$4,524 are required to retire the Energy Conservation Notes outstanding at June 30, 1999 in fiscal year 2000.

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Compensated absences, special termination benefits, and long-term pension obligations will be paid from the fund which the employee's salaries are paid. The School District's overall legal debt margin was \$12,894,691 with an unvoted debt margin of \$143,274 at June 30, 1999.

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of the food service, uniform school supplies, and adult education programs. The table below reflects the more significant financial data relating to the enterprise funds of the Fort Frye Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$220,008	\$23,063	\$1,625	\$244,696
Depreciation Expense	6,804	0	0	6,804
Operating Loss	(169,866)	(3,088)	(66)	(173,020)
Donated Commodities	34,052	0	0	34,052
Operating Grants	146,736	0	0	146,736
Operating Transfers	0	39	0	39
Net Income (Loss)	10,922	(3,049)	(66)	7,807
Fixed Asset Additions	6,674	0	0	6,674
Net Working Capital	(24,108)	0	135	(23,973)
Total Assets	67,493	0	135	67,628
Long-Term Compensated Absences Payable	17,965	0	0	17,965
Total Equity	(12,262)	0	135	(12,127)
Encumbrances at June 30, 1999	100	0	0	100

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

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

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

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

NOTE 17 – INSURANCE PURCHASING POOL

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

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 18 - INTERFUND TRANSACTIONS

As of June 30, 1999, the School to Work Special Revenue Fund and the Lunchroom Enterprise Fund owed the General Fund \$2,906 and \$16,334, respectively, as an interfund payable.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The School District also receives resources from the State of Ohio which are restricted by State law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

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

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 1998	\$35,501	\$0	\$0	
Current Year Set-Aside Requirement	0	97,830	97,830	
Current Year Offsets	0	0	(16,557)	
Qualifying Disbursements	<u>0</u>	<u>(179,045)</u>	<u>(141,051)</u>	
Total	<u>\$35,501</u>	<u>(\$81,215)</u>	<u>(\$59,778)</u>	
Cash Balance Carried Forward to Fiscal Year 2000	<u>\$35,501</u>	<u>\$0</u>	<u>\$0</u>	\$35,501
Amount Restricted for Bus Purchases				<u>37,154</u>
Total Restricted Assets				<u>\$72,655</u>

Fort Frye Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Although the School District has offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 20 – STATE SCHOOL FUNDING DECISION / SUBSEQUENT EVENT

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,841,943 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "through and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision made by the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 21 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Fort Frye Local School District
Beverly, Ohio

We have audited the general purpose financial statements of Fort Frye Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Fort Frye Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a few instances of noncompliance that we have reported to the district's management in a separate letter dated November 18, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fort Frye Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the district's management in a separate letter dated November 18, 1999.

This report is intended solely for the information and use of the Board of Education, the Auditor of State 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.

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November 18, 1999

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

Board of Education
Fort Frye Local School District
Beverly, Ohio

Compliance

We have audited the compliance of Fort Frye Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Fort Frye Local School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fort Frye Local School District's management. Our responsibility is to express an opinion on Fort Frye Local School District's compliance based on our audit.

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

In our opinion, Fort Frye Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

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 function. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, the Auditor of State 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.

Norman Jones Enlow & Co.

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November 18, 1999
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FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
JUNE 30, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 .505

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 level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance 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 material 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):	Nutrition Cluster: Food Distribution CFDA #10.550; School Breakfast CFDA #10.553; National School Lunch CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000, Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding 99-1

Fort Frye Local School District is a member school district of the Southeast Ohio Voluntary Educational Consortium (SEOVEC), a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. We obtained a copy of the SAS-70 report performed on this organization and noted that they did not have a formal disaster recovery plan in place. This could affect the organization's ability to recover data following a disruption in data processing services over an extended time period. We recommend that the district discuss this problem with SEOVEC in order to learn more about the possible problems that the lack of a disaster recovery plan could cause. We also recommend that the district bring this problem to the attention of the governing board in order to try and come up with possible solutions to the problem.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	N/A
CFDA Title and Number	N/A
Federal Award Number / Year	N/A
Federal Agency	N/A
Pass-Through Agency	N/A

FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
For the Year Ended June 30, 1999

Federal Grantor/ Pass-Through Agency/ Programs Title	CFDA Number	Receipts
United States Department of Agriculture/ Ohio Department of Education		
Nutrition Cluster:		
Food Distribution	10.550	-
National School Breakfast Program	10.553	29,772
National School Lunch Programs	10.555	101,582
Total United States Department of Agriculture - Nutrition Cluster		131,354
United States Department of Health and Human Services/ Ohio Department of Health and Human Services		
School Age Child Care Grant	93.673	-
United States Department of Education/ Ohio Department of Education		
Title I Grants to Local Educational Agencies (Title I of ESEA)		
Special Education Grants to States (IDEA Part B)	84.010	319,719
Drug Free Schools Grant	84.027	47,101
Innovative Education Program Strategies	84.186	3,744
Total United States Department of Education	84.298	4,806
Federal Emergency Management Agency		
Public Assistance Grants	83.544	14,870
United States Department of Labor		
School To Work Grant	17.249	10,000
National Foundation On The Arts And The Humanities		
Library Automation Grant	45.310	-
Total Federal Financial Assistance		531,594

<u>In-Kind Receipts</u>	<u>Disbursements</u>
34,052	34,895
-	29,772
-	<u>101,582</u>
<u>34,052</u>	166,249
-	4,019
-	325,409
-	48,029
-	12,375
-	<u>4,677</u>
-	390,490
-	12,769
-	7,182
-	<u>15,000</u>
<u>34,052</u>	<u>595,709</u>

See notes to Schedule of Federal Awards Expenditures.

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - Significant Accounting Policies

The accompanying schedule of federal awards expenditures 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

Non-monetary 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, 1999, the District had no significant food commodities in inventory.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

GENERAL COMMENTS

District personnel were cooperative and available for questions during regular work hours.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

CONCLUSION STATEMENT

The District officials were furnished a copy of the audit report, including citations and recommendations. These officials elected to waive a formal post-audit conference.

These officials were informed that they had five working days from the date of the post audit conference to respond to, or contest, in writing, the report contents. Written responses were not received.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: MAY 16, 2000