



**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Fund	11
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Similar Trust Fund	12
Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Fund	14
Notes to the General Purpose Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures	46
Notes to Schedule of Federal Awards Receipts and Expenditures	48
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	49
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.	51
Schedule of Findings - <i>OMB Circular A-133 § .505</i>	53

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.Auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Franklin Local School District
Muskingum County
360 Cedar Street
P.O. Box 428
Duncan Falls, Ohio 43734

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

November 16, 2000

This page intentionally left blank.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$3,257,492	\$502,837	\$459,418	\$201,845
Cash and Cash Equivalents in Segregated Accounts	16	0	0	0
Receivables:				
Property Taxes	3,031,362	67,701	540,367	179,520
Accounts	8,012	0	0	0
Intergovernmental	8,887	185,436	0	0
Accrued Interest	86,257	0	0	0
Due from Other Funds	195	0	0	0
Materials and Supplies Inventory	11,296	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	80,225	3,297	0	0
Restricted Assets:				
Cash and Cash Equivalents	306,847	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$6,790,589</u>	<u>\$759,271</u>	<u>\$999,785</u>	<u>\$381,365</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$104,961	\$114,167	\$0	\$150,172
Accrued Salaries and Benefits Payable	1,291,880	80,792	0	0
Intergovernmental Payable	292,709	6,947	0	0
Due to Other Funds	0	0	0	0
Due to Students	0	0	0	0
Deferred Revenue	2,066,128	46,606	379,955	124,511
Compensated Absences Payable	53,734	0	0	0
Tax Refund Payable	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>3,809,412</u>	<u>248,512</u>	<u>379,955</u>	<u>274,683</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	160,702	85,183	0	35,428
Reserved for Inventory	11,296	0	0	0
Reserved for Budget Stabilization	167,995	0	0	0
Reserved for Bus Purchases	138,852	0	0	0
Reserved for Property Taxes	965,234	21,095	160,412	55,009
Reserved for Endowment	0	0	0	0
Unreserved, Undesignated	1,537,098	404,481	459,418	16,245
Total Fund Equity and Other Credits	<u>2,981,177</u>	<u>510,759</u>	<u>619,830</u>	<u>106,682</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$6,790,589</u>	<u>\$759,271</u>	<u>\$999,785</u>	<u>\$381,365</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$282,887	\$376,112	\$207,890	\$0	\$0	\$5,288,481
0	27,530	2,434	0	0	29,980
0	0	0	0	0	3,818,950
0	3,099	0	0	0	11,111
40,462	0	0	0	0	234,785
4,361	0	2,961	0	0	93,579
0	0	0	0	0	195
3,665	0	0	0	0	14,961
16,069	0	0	0	0	16,069
4,732	12,781	0	0	0	101,035
0	0	0	0	0	306,847
122,767	0	0	27,398,671	0	27,521,438
0	0	0	0	619,830	619,830
0	0	0	0	5,528,258	5,528,258
\$474,943	\$419,522	\$213,285	\$27,398,671	\$6,148,088	\$43,585,519
\$5,112	\$0	\$3,000	\$0	\$0	\$377,412
49,669	0	0	0	0	1,422,341
37,998	0	2,239	0	131,915	471,808
0	0	195	0	0	195
0	0	22,570	0	0	22,570
11,674	82,062	0	0	0	2,710,936
23,531	0	0	0	1,036,920	1,114,185
0	0	0	0	60,994	60,994
0	195,000	0	0	0	195,000
0	0	0	0	28,259	28,259
0	0	0	0	4,890,000	4,890,000
127,984	277,062	28,004	0	6,148,088	11,293,700
0	0	0	27,398,671	0	27,398,671
5,000	0	0	0	0	5,000
341,959	142,460	0	0	0	484,419
0	0	0	0	0	281,313
0	0	0	0	0	11,296
0	0	0	0	0	167,995
0	0	0	0	0	138,852
0	0	0	0	0	1,201,750
0	0	68,663	0	0	68,663
0	0	116,618	0	0	2,533,860
346,959	142,460	185,281	27,398,671	0	32,291,819
\$474,943	\$419,522	\$213,285	\$27,398,671	\$6,148,088	\$43,585,519

This page intentionally left blank.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$2,638,528	\$55,540	\$423,964	\$151,647	\$3,269,679
Intergovernmental	8,958,525	1,040,432	52,533	322,378	10,373,868
Interest	291,077	0	0	2,134	293,211
Tuition and Fees	14,915	31,274	0	0	46,189
Extracurricular Activities	0	142,118	0	0	142,118
Gifts and Donations	0	11,023	0	0	11,023
Miscellaneous	38,452	0	0	0	38,452
Total Revenues	11,941,497	1,280,387	476,497	476,159	14,174,540
Expenditures:					
Current:					
Instruction:					
Regular	5,679,150	249,229	0	2,475	5,930,854
Special	707,251	394,613	0	14,000	1,115,864
Vocational	184,164	0	0	0	184,164
Other	25,242	0	0	0	25,242
Support Services:					
Pupils	254,769	33,736	0	0	288,505
Instructional Staff	715,020	59,791	0	0	774,811
Board of Education	486,111	9,731	0	0	495,842
Administration	918,072	2,000	0	0	920,072
Fiscal	237,456	1,102	9,736	3,435	251,729
Operation and Maintenance of Plant	1,153,868	143,490	0	0	1,297,358
Pupil Transportation	972,904	338	0	0	973,242
Central	42,748	6,060	0	0	48,808
Extracurricular Activities	165,434	156,107	0	0	321,541
Refund of Property Taxes	55,050	0	0	3,025	58,075
Capital Outlay	0	0	0	1,232,960	1,232,960
Debt Service:					
Principal Retirement	45,444	0	95,000	0	140,444
Interest and Fiscal Charges	4,719	0	280,734	0	285,453
Total Expenditures	11,647,402	1,056,197	385,470	1,255,895	14,344,964
Excess of Revenues Over (Under) Expenditures	294,095	224,190	91,027	(779,736)	(170,424)
Other Financing Sources (Uses):					
Operating Transfers In	0	0	0	250,000	250,000
Proceeds from Sale of Fixed Assets	3,500	0	0	0	3,500
Operating Transfers Out	(250,000)	0	0	0	(250,000)
Total Other Financing Sources (Uses)	(246,500)	0	0	250,000	3,500
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	47,595	224,190	91,027	(529,736)	(166,924)
Fund Balances at Beginning of Year	2,928,170	286,569	528,803	636,418	4,379,960
Increase in Reserve for Inventory	5,412	0	0	0	5,412
Fund Balances at End of Year	\$2,981,177	\$510,759	\$619,830	\$106,682	\$4,218,448

See accompanying notes to the general purpose financial statements.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$2,473,979	\$2,571,874	\$97,895	\$55,156	\$55,156	\$0
Intergovernmental	8,776,282	8,954,407	178,125	881,772	863,745	(18,027)
Interest	240,000	253,700	13,700	0	0	0
Tuition and Fees	23,600	15,449	(8,151)	28,000	31,274	3,274
Extracurricular Activities	0	0	0	140,000	142,253	2,253
Gifts and Donations	0	0	0	14,961	14,961	0
Miscellaneous	5,100	48,147	43,047	0	0	0
Total Revenues	11,518,961	11,843,577	324,616	1,119,889	1,107,389	(12,500)
Expenditures:						
Current:						
Instruction:						
Regular	6,356,676	5,656,529	700,147	337,451	297,298	40,153
Special	827,038	698,734	128,304	530,390	396,924	133,466
Vocational	200,135	188,069	12,066	0	0	0
Other	75,271	66,200	9,071	0	0	0
Support Services:						
Pupils	327,941	308,213	19,728	36,135	33,022	3,113
Instructional Staff	863,482	708,360	155,122	142,557	64,754	77,803
Board of Education	533,691	505,078	28,613	10,276	9,731	545
Administration	1,015,908	888,441	127,467	3,000	2,000	1,000
Fiscal	258,353	235,896	22,457	2,400	1,102	1,298
Operation and Maintenance of Plant	2,016,017	1,249,910	766,107	179,194	157,093	22,101
Pupil Transportation	1,720,244	999,314	720,930	2,863	338	2,525
Central	45,750	42,602	3,148	6,060	6,060	0
Non-Instructional Services	0	0	0	966	966	0
Extracurricular Activities	200,360	162,754	37,606	203,672	169,288	34,384
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	14,440,866	11,710,100	2,730,766	1,454,964	1,138,576	316,388
Excess of Revenues Over (Under) Expenditures	(2,921,905)	133,477	3,055,382	(335,075)	(31,187)	303,888
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	3,500	3,500	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Refund of a Prior Year Receipt	(55,050)	(55,050)	0	0	0	0
Operating Transfers Out	(377,000)	(250,000)	127,000	0	0	0
Total Other Financing Sources (Uses)	(432,050)	(301,550)	130,500	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,353,955)	(168,073)	3,185,882	(335,075)	(31,187)	303,888
Fund Balances at Beginning of Year	2,993,650	2,993,650	0	317,934	317,934	0
Prior Year Encumbrances Appropriated	461,035	461,035	0	21,634	21,634	0
Fund Balances at End of Year	\$100,730	\$3,286,612	\$3,185,882	\$4,493	\$308,381	\$303,888

See accompanying notes to the general purpose financial statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$454,043	\$429,209	(\$24,834)	\$384,404	\$148,456	(\$235,948)
3,935	52,533	48,598	502,578	335,478	(167,100)
0	0	0	3,500	2,134	(1,366)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
457,978	481,742	23,764	890,482	486,068	(404,414)
0	0	0	81,976	66,851	15,125
0	0	0	254,600	14,480	240,120
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
30,000	9,736	20,264	3,435	3,435	0
0	0	0	393,853	389,570	4,283
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,941,540	1,026,868	914,672
170,000	95,000	75,000	0	0	0
450,000	280,734	169,266	0	0	0
650,000	385,470	264,530	2,675,404	1,501,204	1,174,200
(192,022)	96,272	288,294	(1,784,922)	(1,015,136)	769,786
0	0	0	0	250,000	250,000
0	0	0	0	0	0
0	0	0	866,167	0	(866,167)
0	0	0	(3,025)	(3,025)	0
0	0	0	0	0	0
0	0	0	863,142	246,975	(616,167)
(192,022)	96,272	288,294	(921,780)	(768,161)	153,619
363,146	363,146	0	381,301	381,301	0
0	0	0	542,441	542,441	0
\$171,124	\$459,418	\$288,294	\$1,962	\$155,581	\$153,619

(Continued)

FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY

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

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$3,367,582	\$3,204,695	(\$162,887)
Intergovernmental	10,164,567	10,206,163	41,596
Interest	243,500	255,834	12,334
Tuition and Fees	51,600	46,723	(4,877)
Extracurricular Activities	140,000	142,253	2,253
Gifts and Donations	14,961	14,961	0
Miscellaneous	5,100	48,147	43,047
Total Revenues	13,987,310	13,918,776	(68,534)
Expenditures:			
Current:			
Instruction:			
Regular	6,776,103	6,020,678	755,425
Special	1,612,028	1,110,138	501,890
Vocational	200,135	188,069	12,066
Other	75,271	66,200	9,071
Support Services:			
Pupils	364,076	341,235	22,841
Instructional Staff	1,006,039	773,114	232,925
Board of Education	543,967	514,809	29,158
Administration	1,018,908	890,441	128,467
Fiscal	294,188	250,169	44,019
Operation and Maintenance of Plant	2,589,064	1,796,573	792,491
Pupil Transportation	1,723,107	999,652	723,455
Central	51,810	48,662	3,148
Non-Instructional Services	966	966	0
Extracurricular Activities	404,032	332,042	71,990
Capital Outlay	1,941,540	1,026,868	914,672
Debt Service:			
Principal Retirement	170,000	95,000	75,000
Interest and Fiscal Charges	450,000	280,734	169,266
Total Expenditures	19,221,234	14,735,350	4,485,884
Excess of Revenues Over (Under) Expenditures	(5,233,924)	(816,574)	4,417,350
Other Financing Sources (Uses):			
Operating Transfers In	0	250,000	250,000
Proceeds from Sale of Fixed Assets	0	3,500	3,500
Proceeds from Sale of Bonds	866,167	0	(866,167)
Refund of a Prior Year Receipt	(58,075)	(58,075)	0
Operating Transfers Out	(377,000)	(250,000)	127,000
Total Other Financing Sources (Uses)	431,092	(54,575)	(485,667)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,802,832)	(871,149)	3,931,683
Fund Balances at Beginning of Year	4,056,031	4,056,031	0
Prior Year Encumbrances Appropriated	1,025,110	1,025,110	0
Fund Balances at End of Year	\$278,309	\$4,209,992	\$3,931,683

See accompanying notes to the general purpose financial statements.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Revenues:				
Sales	\$401,867	\$0	\$0	\$401,867
Charges for Services	0	1,070,394	0	1,070,394
Interest	0	0	9,878	9,878
Total Revenues	401,867	1,070,394	9,878	1,482,139
Expenses:				
Salaries	249,357	0	0	249,357
Fringe Benefits	119,139	0	0	119,139
Purchased Services	9,502	134,520	0	144,022
Materials and Supplies	41,384	0	0	41,384
Cost of Sales	344,185	0	0	344,185
Claims	0	1,197,036	0	1,197,036
Depreciation	6,779	0	0	6,779
Other	7,119	0	5,661	12,780
Total Expenses	777,465	1,331,556	5,661	2,114,682
Operating Income (Loss)	(375,598)	(261,162)	4,217	(632,543)
Non-Operating Revenues:				
Federal Donated Commodities	56,628	0	0	56,628
Interest Income	13,980	511	0	14,491
Federal and State Subsidies	303,576	0	0	303,576
Total Non-Operating Revenues	374,184	511	0	374,695
Net Income (Loss)	(1,414)	(260,651)	4,217	(257,848)
Retained Earnings/Fund Balance at Beginning of Year	343,373	403,111	181,064	927,548
Retained Earnings/Fund Balance at End of Year	341,959	142,460	185,281	669,700
Contributed Capital at Beginning and End of Year	5,000	0	0	5,000
Total Fund Equity at End of Year	\$346,959	\$142,460	\$185,281	\$674,700

See accompanying notes to the general purpose financial statements.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$369,000	\$406,083	\$37,083	\$0	\$0	\$0
Charges for Services	0	0	0	1,126,000	1,077,943	(48,057)
Interest	0	11,992	11,992	0	511	511
Federal and State Subsidies	279,000	298,241	19,241	0	0	0
Total Revenues	648,000	716,316	68,316	1,126,000	1,078,454	(47,546)
Expenses:						
Salaries	287,400	266,538	20,862	0	0	0
Fringe Benefits	167,800	106,680	61,120	1,680,000	1,307,793	372,207
Purchased Services	15,840	14,014	1,826	0	0	0
Materials and Supplies	411,140	375,284	35,856	0	0	0
Capital Outlay	44,106	44,050	56	0	0	0
Other	17,000	14,458	2,542	35	0	35
Total Expenses	943,286	821,024	122,262	1,680,035	1,307,793	372,242
Excess of Revenues Over (Under) Expenses	(295,286)	(104,708)	190,578	(554,035)	(229,339)	324,696
Fund Equity at Beginning of Year	260,902	260,902	0	605,451	605,451	0
Prior Year Encumbrances Appropriated	36,675	36,675	0	0	0	0
Fund Equity at End of Year	\$2,291	\$192,869	\$190,578	\$51,416	\$376,112	\$324,696

See accompanying notes to the general purpose financial statements.

Non-Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$369,000	\$406,083	\$37,083
0	0	0	1,126,000	1,077,943	(48,057)
6,000	8,340	2,340	6,000	20,843	14,843
0	0	0	279,000	298,241	19,241
<u>6,000</u>	<u>8,340</u>	<u>2,340</u>	<u>1,780,000</u>	<u>1,803,110</u>	<u>23,110</u>
0	0	0	287,400	266,538	20,862
0	0	0	1,847,800	1,414,473	433,327
0	0	0	15,840	14,014	1,826
0	0	0	411,140	375,284	35,856
0	0	0	44,106	44,050	56
66,055	3,691	62,364	83,090	18,149	64,941
<u>66,055</u>	<u>3,691</u>	<u>62,364</u>	<u>2,689,376</u>	<u>2,132,508</u>	<u>556,868</u>
(60,055)	4,649	64,704	(909,376)	(329,398)	579,978
179,641	179,641	0	0	0	0
1,000	1,000	0	0	0	0
<u>\$120,586</u>	<u>\$185,290</u>	<u>\$64,704</u>	<u>\$174,293</u>	<u>\$754,271</u>	<u>\$579,978</u>

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$406,083	\$0	\$0	\$406,083
Cash Received from Quasi-External Transactions with Other Funds	0	1,077,870	0	1,077,870
Cash Payments for Employee Services and Benefits	(373,218)	0	0	(373,218)
Cash Payments to Suppliers for Goods and Services	(337,315)	(140,059)	0	(477,374)
Cash Payments for Claims	0	(1,155,310)	0	(1,155,310)
Other Operating Expenses	(6,422)	0	(3,661)	(10,083)
Net Cash Used for Operating Activities	(310,872)	(217,499)	(3,661)	(532,032)
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	298,241	0	0	298,241
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(14,050)	0	0	(14,050)
Cash Flows from Investing Activities:				
Interest on Investments	11,992	511	8,340	20,843
Net Increase (Decrease) in Cash and Cash Equivalents	(14,689)	(216,988)	4,679	(226,998)
Cash and Cash Equivalents Beginning of Year	297,576	620,630	180,641	1,098,847
Cash and Cash Equivalents End of Year	<u>\$282,887</u>	<u>\$403,642</u>	<u>\$185,320</u>	<u>\$871,849</u>

See accompanying notes to the general purpose financial statements.

(Continued)

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss)	(\$375,598)	(\$261,162)	\$4,217	(\$632,543)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:				
Depreciation	6,779	0	0	6,779
Donated Commodities Used During the Year	56,628	0	0	56,628
Interest Income	0	0	(9,878)	(9,878)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	4,216	(3,099)	0	1,117
(Increase) Decrease in Prepaid Items	100	(2,440)	0	(2,340)
Increase in Materials and Supplies Inventory	(61)	0	0	(61)
Decrease in Inventory Held for Resale	3,491	0	0	3,491
Increase (Decrease) in Accounts Payable	(1,560)	0	2,000	440
Increase in Claims Payable	0	41,726	0	41,726
Decrease in Accrued Salaries and Benefits Payable	(77)	0	0	(77)
Decrease in Intergovernmental Payable	(5,998)	0	0	(5,998)
Increase in Deferred Revenue	0	7,476	0	7,476
Increase in Compensated Absences Payable	1,208	0	0	1,208
Net Cash Used for Operating Activities	<u>(\$310,872)</u>	<u>(\$217,499)</u>	<u>(\$3,661)</u>	<u>(\$532,032)</u>
Cash and Cash Equivalents - All Fiduciary Funds		\$210,324		
Cash and Cash Equivalents - Agency Funds		<u>(25,004)</u>		
Cash and Cash Equivalents - Non-Expendable Trust Fund		<u>\$185,320</u>		

This page intentionally left blank.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1827 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 210 square miles. It is located in Muskingum and Perry Counties, and includes the Villages of Philo and Roseville, the Townships of Salt Creek, Blue Rock, Brush Creek, Clay, Harrison, Meigs, and Wayne, and a portion of Rich Hill Township. The School District is the 194th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 107 classified employees, 142 certificated full-time teaching personnel, and 11 administrative employees who provide services to 2,369 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one garage.

Reporting Entity:

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 Franklin Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency, Mid-East Ohio Vocational School, Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Franklin 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 as follows:

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - 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 or trust funds).

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are the School District's proprietary fund types:

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.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

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 include a non-expendable trust fund and agency funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency 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 or trust funds.

B. Measurement Focus and Basis of Accounting

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

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds and the non-expendable trust fund 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 and non-expendable trust 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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue. The internal service fund had deferred revenues for charges for services received prior to providing services.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the non-expendable trust fund. 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 Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Muskingum 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 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object 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. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including enterprise funds and some internal service fund monies, 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 "cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to money market mutual funds which are reported at market value and nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$291,077, which includes \$89,884 assigned from other School District funds.

The School District has segregated bank accounts for the self insurance internal service fund and payroll monies. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation of 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 not purchased from the pool are reported as investments.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Inventory

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

F. Prepaid Items

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

G. 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 for budget stabilization. See Note 18 for the calculation of the year end restricted asset balance and the corresponding fund balance reserve.

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 capitalize infrastructure, as these assets are immovable and of value only to the School District.

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

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Early Childhood Education
- Eisenhower
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Teacher Development
- Title I
- Title VI
- Title VI-B
- Title VI-R
- Entry Year Grant
- Drug-Free Schools
- Ohio Reads Grant
- Safe School Help Line
- SchoolNet Professional Development
- Data Communications Support

Capital Projects Funds

- Comprehensive School Reform
- SchoolNet
- SchoolNet Plus
- Technology Equity

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Reimbursable Grants
 - General Fund
 - Driver Education
 - Community Alternative Funding System
 - Special Revenue Funds
 - Telecommunication E-Rate
 - Proprietary Funds
 - National School Lunch Program
 - National School Breakfast Program
 - Government Donated Commodities

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

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet.

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 classified and certified 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.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and contractually required pension contributions 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. Payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds, capital leases, and the tax refund payable are reported as a liability of the general long-term obligations account group until due.

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

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures 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 in the fund that is reimbursed.

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

N. 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, inventories of supplies and materials, property taxes, endowment, 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. The reserve for endowment signifies the legal restrictions on the use of principal in the non-expendable trust fund.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources 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 1995, 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 the 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.

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, results of operations, or cash flows 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 - 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 Balances - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Similar Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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 bonds 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.

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$47,595	\$224,190	\$91,027	(\$529,736)
Revenue Accruals	(97,904)	(172,831)	5,245	9,909
Unrecorded Cash	(16)	(167)	0	0
Expenditure Accruals	166,707	101,039	0	(202,070)
Prepaid Items	(6,744)	10,871	0	0
Encumbrances	(277,711)	(194,289)	0	(46,264)
Budget Basis	(\$168,073)	(\$31,187)	\$96,272	(\$768,161)

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

	Enterprise	Internal Service	Non-Expendable Trust
Net Income (Loss) Excess of Revenues Over (Under) Expenses All Proprietary Fund Types and Similar Trust Fund			
GAAP Basis	(\$1,414)	(\$260,651)	\$4,217
Revenue Accrual	(3,107)	7,549	(1,538)
Expense Accrual	(6,428)	26,203	2,000
Prepaid Items	100	(2,440)	0
Materials and Supplies Inventory	(61)	0	0
Inventory Held for Resale	3,491	0	0
Capital Outlay	(14,050)	0	0
Depreciation Expense	6,779	0	0
Encumbrances	(90,018)	0	(30)
Budget Basis	<u>(\$104,708)</u>	<u>(\$229,339)</u>	<u>\$4,649</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 from the purchase date 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 interests rated in either the two highest rating classification by at least two nationally recognized rating agencies.

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

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Cash On Hand: At year end, the School District had \$183 in undeposited cash on hand which is included on the balance sheet of the School District as part of "cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$4,899,968 and the bank balance was \$5,233,632. Of the bank balance, \$227,530 was covered by federal depository insurance and \$5,006,102 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 to a successful claim by the Federal Deposit Insurance Corporation.

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

	Carrying Amount	Market Value
Mutual Funds	\$725,157	\$725,157

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$5,625,308	\$0
Investments of the Cash Management Pool:		
Cash on Hand	(183)	0
Money Market Mutual Funds	(725,157)	725,157
GASB Statement 3	\$4,899,968	\$725,157

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 5 - PROPERTY TAXES

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

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

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

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

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

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

	<u>1999 Second- Half Collections</u>		<u>2000 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$90,861,050	76.18%	\$95,133,730	77.33%
Public Utility	21,634,330	18.14	20,732,930	16.85
Tangible Personal Property	<u>6,769,777</u>	<u>5.68</u>	<u>7,159,089</u>	<u>5.82</u>
Total Assessed Value	<u>\$119,265,157</u>	<u>100.00%</u>	<u>\$123,025,749</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.60		\$41.60	

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 5 - PROPERTY TAXES (continued)

The School District receives property taxes from Muskingum and Perry County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$1,201,750 and is recognized as revenue. \$965,234 in the general fund, \$21,095 in the classroom facility maintenance special revenue fund, \$160,412 in the bond retirement debt service fund, and \$55,009 in the permanent improvement capital projects fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
CAFS Reimbursement	\$4,478
Drivers Education	2,500
Miscellaneous Reimbursements	1,909
Total General Fund	8,887
Special Revenue Funds	
Title VI-R	167,100
Title VI-B	12,952
Title I	4,226
Eisenhower Grant	1,158
Total Special Revenue Funds	185,436
Enterprise Funds	
National School Lunch Program	40,462
Total Intergovernmental Receivables	\$234,785

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 7 - FIXED ASSETS

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

Furniture and Equipment	\$324,924
Vehicles	<u>6,600</u>
Total Fixed Assets	331,524
Less Accumulated Depreciation	<u>(208,757)</u>
Net Fixed Assets	<u><u>\$122,767</u></u>

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

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/00</u>
Land and Improvements	\$574,792	\$418,841	\$0	\$993,633
Buildings and Improvements	21,430,742	276,343	0	21,707,085
Furniture, Fixtures and Equipment	2,864,489	191,502	102,608	2,953,383
Vehicles	1,497,443	247,127	0	1,744,570
Construction in Progress	<u>11,217</u>	<u>0</u>	<u>11,217</u>	<u>0</u>
Total General Fixed Assets	<u><u>\$26,378,683</u></u>	<u><u>\$1,133,813</u></u>	<u><u>\$113,825</u></u>	<u><u>\$27,398,671</u></u>

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for all of the insurances shown below. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$40,407,700
Inland Marine Coverage (\$100 deductible)	179,965
Boiler and Machinery (\$1,000 deductible)	9,530,000
Extra Expense	500,000
Miscellaneous Equipment (\$100 deductible)	119,059
Crime Insurance - Premises	1,000
Crime Insurance - Messenger	4,000
Automobile Liability (\$1,250 deductible)	5,000,000
Uninsured Motorists (No deductible)	5,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Electronic Equipment (\$100 deductible)	1,541,950

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from coverage in fiscal 1999.

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

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 8 - RISK MANAGEMENT (continued)

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$195,000 reported in the internal service fund at June 30, 2000 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1999	\$103,603	\$1,024,935	\$975,264	\$153,274
2000	153,274	1,197,036	1,155,310	195,000

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$112,695, \$141,163 and \$160,464, respectively; 52 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$53,583 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 9 - DEFINED BENEFIT PENSION PLANS

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$375,111, \$347,636 and \$579,852, respectively; 81 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$71,437 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, one member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$500,147 for fiscal year 2000.

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

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$214,691.

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

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for certified and classified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Central Benefits.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for copier equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of copiers have been capitalized in the general fixed assets account group in the amount of \$182,590. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$45,444 in the governmental funds

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	GLTOAG
2001	\$29,084
Less: Amount Representing Interest	(825)
Present Value of Net Minimum Lease Payments	\$28,259

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
General Obligation				
Bonds Payable	\$4,985,000	\$0	\$95,000	\$4,890,000
Tax Refund	119,069	0	58,075	60,994
Capital Leases	73,703	0	45,444	28,259
Pension Obligation	102,558	131,915	102,558	131,915
Compensated Absences	949,517	152,068	64,665	1,036,920
Total General Long-Term Obligations	\$6,229,847	\$283,983	\$365,742	\$6,148,088

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The School District issued School Building Improvement General Obligation Bonds for \$5,300,000 as a result of the School District being approved for a \$7,978,096 school facilities loan through the State Department of Education for the construction of building additions to the following buildings: Roseville Middle School, Roseville Primary School, Duncan Falls Primary, and Philo Intermediate. The School District issued the bonds on October 1, 1996, to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 4.5 mill levy. 4.0 mills will be used to repay the debt issue which provides the matching funds required of the School District as a condition of the State Loan. The remaining .5 mill is used for the retirement of the loan, will be in effect for twenty-three years or until the loans with the State are repaid, whichever comes first. If a balance remains after twenty-three years, the unpaid balance on the loan will be forgiven. The bonds and loans will be repaid with tax revenue.

The School District had received \$7,978,096 in proceeds to date from the school facilities loan. The amount received in fiscal year 2000 is shown as intergovernmental revenue on the financial statements. On October 7, 1997, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 557 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set-aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. The probability of the School District's adjusted valuation per pupil increasing above the state-wide median is remote so the liability of the loan has not been shown on the balance sheet. Payments were made as follows before the School District was notified they were not required to repay the loan: \$25,268 in fiscal year 1998, \$53,280 in fiscal year 1997, and \$27,795 in fiscal year 1996, totaling \$106,343. The payments were made by the Muskingum County Auditor directly to the State Department of Education from the School District's tax settlement proceeds.

The School District's overall legal debt margin was \$6,641,735, with an unvoted debt margin of \$123,026 at June 30, 2000.

Principal and interest debt service requirements on the general obligation bonds to maturity, including \$3,394,685 interest, are as follows:

Year Ending <u>June 30</u>	General Obligation <u>Bonds</u>
2001	\$376,345
2002	391,250
2003	390,430
2004-2007	1,624,163
2008-2011	1,736,742
2012-2015	1,823,703
2016-2019	<u>1,942,052</u>
Total	<u><u>\$8,284,685</u></u>

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The tax refund of \$60,994 is a long-term obligation for a repayment of taxes to Texas Eastern Transmission Corporation, a public utility company, for tax years 1992-1996. The repayment of taxes will be deducted over four tax settlements by the Muskingum County Auditor. No interest is required for the refund.

Year Ending June 30	Tax Refund
2001	\$60,994
Total	\$60,994

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

NOTE 14 - INTERFUND ACTIVITY

Interfund balances at June 30, 2000, consist of the following individual fund receivables and payables:

<u>Due from/Due to Other Funds</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	\$195	\$0
Agency Fund:		
Payroll Agency	0	195
Total Due from/Due to Other Funds	\$195	\$195

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$380,485	\$21,382	\$401,867
Depreciation Expense	6,779	0	6,779
Operating Income (Loss)	(368,183)	(7,415)	(375,598)
Donated Commodities	56,628	0	56,628
Operating Grants	303,576	0	303,576
Interest Income	13,980	0	13,980
Net Income (Loss)	6,001	(7,415)	(1,414)
Fixed Assets Additions	9,900	0	9,900
Net Working Capital	224,780	22,151	246,931
Total Assets	452,792	22,151	474,943
Long-Term Liabilities paid from Fund Revenues	22,739	0	22,739
Total Equity	324,808	22,151	346,959
Encumbrances Outstanding at June 30, 2000	85,235	4,783	90,018

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Educational Service Agency

The School District is a participant in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) which was created as a regional council of governments pursuant to State statutes. OME-RESA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA is governed by a board which is selected by the member districts. OME-RESA possesses its own budgeting and financing authority. The continued existence of OME-RESA is not dependent on the District's continued participation and no equity interest exists. The School District's payments for computer services to OME-RESA in fiscal year 2000 was \$20,340. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, Debbie Angelo, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Mid-East Ohio Vocational School

The Mid-East Ohio Vocational School is a jointly governed organization providing vocational services to its thirteen member school districts. The 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 participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2000 the School District made no contributions to the Vocational School. To obtain financial information write to the Mid-East Ohio Vocational School District, Cindy Nye, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various inservice for school district administrative personnel; gathers of 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 Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2000.

NOTE 17 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

NOTE 18 - 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.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$145,217	\$145,217
Current Year Set-aside Requirement	251,993	251,993	22,778	526,764
Current Year Offsets	0	(477,251)	0	(477,251)
Qualifying Disbursements	(375,476)	(257,217)	0	(632,693)
Totals	<u>(\$123,483)</u>	<u>(\$482,475)</u>	<u>\$167,995</u>	<u>(\$437,963)</u>
Cash Balance Carried Forward to FY 2001	<u>(\$123,483)</u>	<u>\$0</u>	<u>\$167,995</u>	<u>\$44,512</u>
Total restricted balances to carry forward to FY 2001	<u>\$0</u>	<u>\$0</u>	<u>\$167,995</u>	\$167,995
Amount restricted for bus purchases				<u>138,852</u>
Total Restricted Assets				<u>\$306,847</u>

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

NOTE 19 - CONTINGENCIES

A. Grants

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

B. Litigation

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

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 20 - STATE FOUNDATION FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 2000, the School District received \$8,028,884 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$7,978,096 in intergovernmental revenues under this program.

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

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

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

NOTE 21 - SUBSEQUENT EVENT

On August 1, 2000, the School District issued \$866,000 in Energy Conservation Notes at a percentage rate varying from 5.0 to 6.0 percent. The purpose of the notes was to purchase and install energy conservation measures.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through State Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$0	\$51,883	\$0	\$56,628
School Breakfast Program	10.553	05-PU-99	9,269	0	9,269	0
		05-PU-00	<u>34,474</u>	<u>0</u>	<u>34,474</u>	<u>0</u>
Total School Breakfast Program			43,743	0	43,743	0
National School Lunch Program	10.555	03-PU-99	11,287	0	11,287	0
		04-PU-99	38,567	0	38,567	0
		03-PU-00	37,352	0	37,352	0
		04-PU-00	<u>139,156</u>	<u>0</u>	<u>139,156</u>	<u>0</u>
Total National School Lunch Program			226,362	0	226,362	0
Summer Food Service Program for Children	10.559	23-ML-99	9,814	0	9,814	0
		24-AD-99	1,111	0	1,111	0
Total Summer Food Service Program for Children			<u>10,925</u>	<u>0</u>	<u>10,925</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			281,030	51,883	281,030	56,628
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through State Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-99	0	0	64,152	0
		C1-S1-99C	16,599	0	26,632	0
		C1-S1-00	<u>355,557</u>	<u>0</u>	<u>244,656</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			372,156	0	335,440	0
Special Education - Grants to States	84.027	6B-SF-98P	2,200	0	18,430	0
		6B-SF-99P	<u>112,694</u>	<u>0</u>	<u>104,249</u>	<u>0</u>
Total Special Education - Grants to States			114,894	0	122,679	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-99	0	0	15	0
		DR-S1-00	<u>10,524</u>	<u>0</u>	<u>10,524</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities			10,524	0	10,539	0
Goals 2000 - State and Local Education Systemic Improvement	84.276	G2-S3-00	14,000	0	9,590	0
Eisenhower Professional Development State Grants	84.281	MS-S1-98C	0	0	2,107	0
		MS-S1-99	0	0	10,158	0
		MS-S1-00	<u>10,361</u>	<u>0</u>	<u>2,240</u>	<u>0</u>
Total Eisenhower Professional Development State Grants			10,361	0	14,505	0
Innovative Education Program Strategies	84.298	C2-S1-98C	0	0	43	0
		C2-S1-99	0	0	1,096	0
		C2-S1-99C	1,594	0	2,289	0
		C2-S1-00	<u>12,047</u>	<u>0</u>	<u>6,436</u>	<u>0</u>
Total Innovative Education Program Strategies			13,641	0	9,864	0
Comprehensive School Reform	84.332	RF-S1-99	13,100	0	14,000	0
		RF-S1-00	<u>72,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive School Reform			85,100	0	14,000	0
Class Size Reduction	84.340	CR-S1-00	<u>56,782</u>	<u>0</u>	<u>36,328</u>	<u>0</u>
Total U.S. Department of Education			677,458	0	552,945	0

FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through State Department of Education:</i>						
Child Care and Development Block Grant -Latch Key Program	93.575	DC-S1-99	2,756	0	4,123	0
<i>Direct from Federal Government:</i>						
Medical Assistance Program	93.778	N/A	<u>28,448</u>	<u>0</u>	<u>993</u>	<u>0</u>
Total U.S. Department of Health and Human Services			<u>31,204</u>	<u>0</u>	<u>5,116</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$989,692</u>	<u>\$51,883</u>	<u>\$839,091</u>	<u>\$56,628</u>

The accompanying notes to this Schedule are an integral part of this Schedule.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.Auditor.state.oh.us

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

Franklin Local School District
Muskingum County
360 Cedar Street
P.O. Box 428
Duncan Falls, Ohio 43734

To the Board of Education:

We have audited the general purpose financial statements of Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated November 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 16, 2000.

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

This report is intended for the information and use of the management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 16, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.Auditor.state.oh.us

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

Franklin Local School District
Muskingum County
360 Cedar Street
P.O. Box 428
Duncan Falls, Ohio 43734

To the Board of Education:

Compliance

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

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

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

Internal Control over Compliance

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

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

This report is intended for the information and use of the management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 16, 2000

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster - CFDA # 10.550, 10.553, 10.555, 10.559
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

FRANKLIN LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 19, 2000**