



**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Members of the Board:

We have audited the accompanying general purpose financial statements of the Franklin Local School District, Muskingum County, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the 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 School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable 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 30, 1999, 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.

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.

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

JIM PETRO
Auditor of State

November 30, 1999

Franklin Local School District

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Franklin Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<u>Assets and Other Debits:</u>						
<u>Assets:</u>						
Cash and Cash Equivalents	\$3,172,902	\$328,833	\$363,146	\$923,742	\$297,576	\$605,524
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0	15,106
Cash and Cash Equivalents with Fiscal Agents	0	15	0	0	0	0
<u>Receivables:</u>						
Property Taxes	2,992,677	64,375	515,010	174,315	0	0
Accounts	1,697	125	0	0	4,216	0
Intergovernmental	5,134	12,792	0	13,100	35,127	0
Accrued Interest	48,796	0	0	0	2,373	0
Due from Other Funds	8,138	2,539	0	0	0	0
Materials and Supplies Inventory	5,884	0	0	0	3,604	0
Inventory Held for Resale	0	0	0	0	26,276	0
Prepaid Items	73,481	14,168	0	0	4,832	10,341
<u>Restricted Assets:</u>						
Cash and Cash Equivalents	281,891	0	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	119,646	0
<u>Other Debits:</u>						
Amount Available in Debt Service Fund	0	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0	0
Total Assets and Other Debits	\$6,590,600	\$422,847	\$878,156	\$1,111,157	\$493,650	\$630,971
<u>Liabilities, Fund Equity and Other Credits:</u>						
<u>Liabilities:</u>						
Accounts Payable	\$72,020	\$6,298	\$0	\$58,805	\$10,822	\$0
Contracts Payable	15,000	0	0	97,455	0	0
Retainage Payable	0	0	0	195,982	0	0
Accrued Salaries and Benefits Payable	1,204,467	79,677	0	0	49,746	0
Intergovernmental Payable	261,828	6,639	0	0	43,996	0
Due to Other Funds	2,539	0	0	0	0	0
Due to Students	0	0	0	0	0	0
Due to Others	0	0	0	0	0	0
Deferred Revenue	2,094,097	43,664	349,353	122,497	18,390	74,586
Compensated Absences Payable	12,479	0	0	0	22,323	0
Tax Refund Payable	0	0	0	0	0	0
Claims Payable	0	0	0	0	0	153,274
Capital Leases Payable	0	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0	0
Total Liabilities	3,662,430	136,278	349,353	474,739	145,277	227,860
<u>Fund Equity and Other Credits:</u>						
Investment in General Fixed Assets	0	0	0	0	0	0
Contributed Capital	0	0	0	0	5,000	0
<u>Retained Earnings:</u>						
Unreserved	0	0	0	0	343,373	403,111
<u>Fund Balances:</u>						
Reserved for Encumbrances	312,014	17,213	0	427,417	0	0
Reserved for Inventory	5,884	0	0	0	0	0
Reserved for Budget Stabilization	145,217	0	0	0	0	0
Reserved for Bus Purchases	136,674	0	0	0	0	0
Reserved for Property Taxes	898,580	20,711	165,657	51,818	0	0
Reserved for Endowment	0	0	0	0	0	0
Unreserved, Undesignated	1,429,801	248,645	363,146	157,183	0	0
Total Fund Equity and Other Credits	2,928,170	286,569	528,803	636,418	348,373	403,111
Total Liabilities, Fund Equity and Other Credits	\$6,590,600	\$422,847	\$878,156	\$1,111,157	\$493,650	\$630,971

See accompanying notes to the general purpose financial statements

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$208,902	\$0	\$0	\$5,900,625
8,381	0	0	23,487
0	0	0	15
0	0	0	3,746,377
0	0	0	6,038
0	0	0	66,153
1,423	0	0	52,592
0	0	0	10,677
0	0	0	9,488
0	0	0	26,276
0	0	0	102,822
0	0	0	281,891
0	26,378,683	0	26,498,329
0	0	528,803	528,803
0	0	5,701,044	5,701,044
<u>\$218,706</u>	<u>\$26,378,683</u>	<u>\$6,229,847</u>	<u>\$42,954,617</u>
\$1,000	\$0	\$0	\$148,945
0	0	0	112,455
0	0	0	195,982
0	0	0	1,333,890
0	0	102,558	415,021
8,138	0	0	10,677
28,261	0	0	28,261
243	0	0	243
0	0	0	2,702,587
0	0	949,517	984,319
0	0	119,069	119,069
0	0	0	153,274
0	0	73,703	73,703
0	0	4,985,000	4,985,000
<u>37,642</u>	<u>0</u>	<u>6,229,847</u>	<u>11,263,426</u>
0	26,378,683	0	26,378,683
0	0	0	5,000
0	0	0	746,484
0	0	0	756,644
0	0	0	5,884
0	0	0	145,217
0	0	0	136,674
0	0	0	1,136,766
68,663	0	0	68,663
112,401	0	0	2,311,176
<u>181,064</u>	<u>26,378,683</u>	<u>0</u>	<u>31,691,191</u>
<u>\$218,706</u>	<u>\$26,378,683</u>	<u>\$6,229,847</u>	<u>\$42,954,617</u>

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$2,497,604	\$53,952	\$431,583	\$144,761	\$3,127,900
Intergovernmental	8,673,484	787,934	51,642	4,393,578	13,906,638
Interest	243,275	0	0	40,094	283,369
Tuition and Fees	18,967	29,258	0	0	48,225
Extracurricular Activities	0	174,250	0	0	174,250
Gifts and Donations	0	17,438	0	0	17,438
Miscellaneous	49,117	0	0	1,326	50,443
Total Revenues	11,482,447	1,062,832	483,225	4,579,759	17,608,263
Expenditures:					
Current:					
Instruction:					
Regular	5,139,320	257,614	0	22,122	5,419,056
Special	664,892	417,648	0	138,424	1,220,964
Vocational	178,126	0	0	0	178,126
Other	49,189	0	0	0	49,189
Support Services:					
Pupils	225,462	34,873	0	0	260,335
Instructional Staff	584,089	66,056	0	0	650,145
Board of Education	413,491	8,990	0	0	422,481
Administration	862,435	13,192	0	0	875,627
Fiscal	188,640	1,088	10,317	3,568	203,613
Operation and Maintenance of Plant	1,196,973	3,695	0	12,421	1,213,089
Pupil Transportation	905,109	257	0	0	905,366
Central	34,634	0	0	0	34,634
Non-Instructional Services	0	2,000	0	0	2,000
Extracurricular Activities	160,130	164,589	0	0	324,719
Refund of Property Taxes	66,192	0	0	4,150	70,342
Capital Outlay	0	0	0	5,774,608	5,774,608
Debt Service:					
Principal Retirement	31,589	0	90,000	0	121,589
Interest and Fiscal Charges	6,157	0	284,783	0	290,940
Total Expenditures	10,706,428	970,002	385,100	5,955,293	18,016,823
Excess of Revenues Over (Under) Expenditures	776,019	92,830	98,125	(1,375,534)	(408,560)
Other Financing Sources (Uses):					
Operating Transfers In	0	0	0	356,000	356,000
Proceeds from Sale of Fixed Assets	16,775	0	0	0	16,775
Operating Transfers Out	(356,000)	0	0	0	(356,000)
Total Other Financing Sources (Uses)	(339,225)	0	0	356,000	16,775
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	436,794	92,830	98,125	(1,019,534)	(391,785)
Fund Balances at Beginning of Year	2,494,485	193,739	430,678	1,655,952	4,774,854
Decrease in Reserve for Inventory	(3,109)	0	0	0	(3,109)
Fund Balances at End of Year	\$2,928,170	\$286,569	\$528,803	\$636,418	\$4,379,960

See accompanying notes to the general purpose financial statements

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$2,536,022	\$2,536,022	\$0	\$49,498	\$54,318	\$4,820
Intergovernmental	8,921,465	8,921,465	0	837,244	837,817	573
Interest	204,522	208,745	4,223	0	0	0
Tuition and Fees	19,225	23,189	3,964	29,721	29,258	(463)
Extracurricular Activities	0	0	0	148,750	174,668	25,918
Gifts and Donations	0	0	0	12,500	13,500	1,000
Miscellaneous	45,959	47,429	1,470	0	0	0
Total Revenues	11,727,193	11,736,850	9,657	1,077,713	1,109,561	31,848
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	5,759,861	5,319,073	440,788	314,718	296,226	18,492
Special	710,305	659,688	50,617	502,645	424,974	77,671
Vocational	187,212	177,648	9,564	0	0	0
Other	81,485	78,507	2,978	0	0	0
Support Services:						
Pupils	301,547	289,822	11,725	37,350	35,941	1,409
Instructional Staff	590,503	572,836	17,667	126,134	64,409	61,725
Board of Education	502,204	436,292	65,912	12,289	11,990	299
Administration	1,003,958	887,589	116,369	15,593	15,593	0
Fiscal	228,712	187,729	40,983	2,000	1,088	912
Business	4,000	0	4,000	0	0	0
Operation and Maintenance of Plant	1,324,479	1,213,472	111,007	98,728	3,695	95,033
Pupil Transportation	1,163,942	1,008,354	155,588	500	257	243
Central	36,495	33,557	2,938	0	0	0
Non-Instructional Services	0	0	0	2,500	2,000	500
Extracurricular Activities	171,349	160,349	11,000	205,808	185,728	20,080
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	12,066,052	11,024,916	1,041,136	1,318,265	1,041,901	276,364
Excess of Revenues Over (Under) Expenditures	(338,859)	711,934	1,050,793	(240,552)	67,660	308,212
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	16,775	16,775	0	0	0	0
Refund of a Prior Year Receipt	(119,712)	(66,192)	53,520	0	0	0
Operating Transfers Out	(356,000)	(356,000)	0	0	0	0
Total Other Financing Sources (Uses)	(458,937)	(405,417)	53,520	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(797,796)	306,517	1,104,313	(240,552)	67,660	308,212
Fund Balances at Beginning of Year	2,402,049	2,402,049	0	161,220	161,220	0
Prior Year Encumbrances Appropriated	285,084	285,084	0	89,054	89,054	0
Fund Balances at End of Year	\$1,889,337	\$2,993,650	\$1,104,313	\$9,722	\$317,934	\$308,212

See accompanying notes to the general purpose financial statements

(Continued)

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$434,543	\$434,543	\$0	\$148,476	\$147,052	(\$1,424)
51,642	51,642	0	4,380,477	4,380,477	0
0	0	0	41,237	43,352	2,115
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,326	1,326	0
<u>486,185</u>	<u>486,185</u>	<u>0</u>	<u>4,571,516</u>	<u>4,572,207</u>	<u>691</u>
0	0	0	245,521	223,462	22,059
0	0	0	235,000	232,600	2,400
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	10,317	19,683	4,500	3,568	932
0	0	0	0	0	0
0	0	0	552,057	481,715	70,342
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	6,687,587	6,431,386	256,201
100,000	90,000	10,000	0	0	0
<u>578,947</u>	<u>284,783</u>	<u>294,164</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>708,947</u>	<u>385,100</u>	<u>323,847</u>	<u>7,724,665</u>	<u>7,372,731</u>	<u>351,934</u>
<u>(222,762)</u>	<u>101,085</u>	<u>323,847</u>	<u>(3,153,149)</u>	<u>(2,800,524)</u>	<u>352,625</u>
0	0	0	356,000	356,000	0
0	0	0	0	0	0
0	0	0	(4,150)	(4,150)	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>351,850</u>	<u>351,850</u>	<u>0</u>
(222,762)	101,085	323,847	(2,801,299)	(2,448,674)	352,625
262,061	262,061	0	2,761,355	2,761,355	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>68,620</u>	<u>68,620</u>	<u>0</u>
<u>\$39,299</u>	<u>\$363,146</u>	<u>\$323,847</u>	<u>\$28,676</u>	<u>\$381,301</u>	<u>\$352,625</u>

(Continued)

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

Totals (Memorandum Only)			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$3,168,539	\$3,171,935	\$3,396
Intergovernmental	14,190,828	14,191,401	573
Interest	245,759	252,097	6,338
Tuition and Fees	48,946	52,447	3,501
Extracurricular Activities	148,750	174,668	25,918
Gifts and Donations	12,500	13,500	1,000
Miscellaneous	47,285	48,755	1,470
Total Revenues	17,862,607	17,904,803	42,196
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,320,100	5,838,761	481,339
Special	1,447,950	1,317,262	130,688
Vocational	187,212	177,648	9,564
Other	81,485	78,507	2,978
Support Services:			
Pupils	338,897	325,763	13,134
Instructional Staff	716,637	637,245	79,392
Board of Education	514,493	448,282	66,211
Administration	1,019,551	903,182	116,369
Fiscal	265,212	202,702	62,510
Business	4,000	0	4,000
Operation and Maintenance of Plant	1,975,264	1,698,882	276,382
Pupil Transportation	1,164,442	1,008,611	155,831
Central	36,495	33,557	2,938
Non-Instructional Services	2,500	2,000	500
Extracurricular Activities	377,157	346,077	31,080
Capital Outlay	6,687,587	6,431,386	256,201
Debt Service:			
Principal Retirement	100,000	90,000	10,000
Interest and Fiscal Charges	578,947	284,783	294,164
Total Expenditures	21,817,929	19,824,648	1,993,281
Excess of Revenues Over (Under) Expenditures	<u>(3,955,322)</u>	<u>(1,919,845)</u>	<u>2,035,477</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	356,000	356,000	0
Proceeds from Sale of Fixed Assets	16,775	16,775	0
Refund of a Prior Year Receipt	(123,862)	(70,342)	53,520
Operating Transfers Out	(356,000)	(356,000)	0
Total Other Financing Sources (Uses)	(107,087)	(53,567)	53,520
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,062,409)	(1,973,412)	2,088,997
Fund Balances at Beginning of Year	5,586,685	5,586,685	0
Prior Year Encumbrances Appropriated	442,758	442,758	0
Fund Balances at End of Year	\$1,967,034	\$4,056,031	\$2,088,997

The notes to the financial statements are an integral part of this statement

Franklin Local School District, Ohio
 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, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
<u>Revenues:</u>				
Sales	\$357,970	\$0	\$0	\$357,970
Charges for Services	0	1,034,549	0	1,034,549
Interest	0	0	6,511	6,511
Other Revenues	0	125	0	125
Contributions and Donations	0	0	500	500
Total Revenues	357,970	1,034,674	7,011	1,399,655
<u>Expenses:</u>				
Salaries	255,454	0	0	255,454
Fringe Benefits	105,847	0	0	105,847
Purchased Services	10,051	114,713	0	124,764
Materials and Supplies	77,760	0	0	77,760
Cost of Sales	245,624	0	0	245,624
Claims	0	1,024,935	0	1,024,935
Depreciation	8,054	0	0	8,054
Other	8,542	0	2,122	10,664
Total Expenses	711,332	1,139,648	2,122	1,853,102
Operating Income (Loss)	(353,362)	(104,974)	4,889	(453,447)
<u>Non-Operating Revenues:</u>				
Federal Donated Commodities	57,194	0	0	57,194
Interest Income	2,373	449	0	2,822
Federal and State Subsidies	264,788	0	0	264,788
Loss on Sale of Fixed Assets	(4,342)	0	0	(4,342)
Total Non-Operating Revenues	320,013	449	0	320,462
Net Income (Loss)	(33,349)	(104,525)	4,889	(132,985)
Retained Earnings/Fund Balance at				
Beginning of Year (Restated Note 3)	376,722	507,636	176,175	1,060,533
Retained Earnings/Fund Balance at End of Year				
	343,373	403,111	181,064	927,548
Contributed Capital at Beginning and End of Year				
	5,000	0	0	5,000
Total Fund Equity at End of Year	\$348,373	\$403,111	\$181,064	\$932,548

See accompanying notes to the general purpose financial statements

Franklin Local School District, Ohio
 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, 1999

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Sales	\$336,084	\$353,755	\$17,671	\$0	\$0	\$0
Charges for Services	0	0	0	1,037,773	1,037,808	35
Interest	0	0	0	200	449	249
Federal and State Subsidies	265,689	269,389	3,700	0	0	0
Other Revenues	0	0	0	100	112	12
Contributions and Donations	0	0	0	0	0	0
Total Revenues	601,773	623,144	21,371	1,038,073	1,038,369	296
<u>Expenses:</u>						
Salaries	300,850	248,318	52,532	0	0	0
Fringe Benefits	104,397	104,162	235	0	0	0
Purchased Services	16,520	13,593	2,927	182,454	125,054	57,400
Materials and Supplies	406,939	319,538	87,401	0	0	0
Claims Expense	0	0	0	1,444,952	990,370	454,582
Capital Outlay	83,790	13,133	70,657	0	0	0
Other	34,296	8,517	25,779	100	0	100
Total Expenses	946,792	707,261	239,531	1,627,506	1,115,424	512,082
Excess of Revenues Over (Under) Expenses	(345,019)	(84,117)	260,902	(589,433)	(77,055)	512,378
Fund Equity at Beginning of Year	289,340	289,340	0	682,506	682,506	0
Prior Year Encumbrances Appropriated	55,679	55,679	0	0	0	0
Fund Equity at End of Year	\$0	\$260,902	\$260,902	\$93,073	\$605,451	\$512,378

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	\$336,084	\$353,755	\$17,671
0	0	0	1,037,773	1,037,808	35
5,418	5,418	0	5,618	5,867	249
0	0	0	265,689	269,389	3,700
0	0	0	100	112	12
500	500	0	500	500	0
<u>5,918</u>	<u>5,918</u>	<u>0</u>	<u>1,645,764</u>	<u>1,667,431</u>	<u>21,667</u>
0	0	0	300,850	248,318	52,532
0	0	0	104,397	104,162	235
0	0	0	198,974	138,647	60,327
0	0	0	406,939	319,538	87,401
0	0	0	1,444,952	990,370	454,582
0	0	0	83,790	13,133	70,657
62,997	3,362	59,635	97,393	11,879	85,514
<u>62,997</u>	<u>3,362</u>	<u>59,635</u>	<u>2,637,295</u>	<u>1,826,047</u>	<u>811,248</u>
(57,079)	2,556	59,635	(991,531)	(158,616)	832,915
176,685	176,685	0	1,148,531	1,148,531	0
400	400	0	56,079	56,079	0
<u>\$120,006</u>	<u>\$179,641</u>	<u>\$59,635</u>	<u>\$213,079</u>	<u>\$1,045,994</u>	<u>\$832,915</u>

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Franklin Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 1999

	<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>	
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Sales	\$353,755	\$0	\$0	\$353,755
Cash Received from Quasi-External Transactions with Other Funds	0	1,037,881	0	1,037,881
Cash Received from Contributions	0	0	500	500
Cash Payments for Employee Services and Benefits	(352,480)	0	0	(352,480)
Cash Payments to Suppliers for Goods and Services	(304,205)	(125,054)	0	(429,259)
Cash Payments for Claims	0	(975,264)	0	(975,264)
Other Operating Revenues	0	112	0	112
Other Operating Expenses	(8,517)	0	(2,362)	(10,879)
Net Cash Used for Operating Activities	(311,447)	(62,325)	(1,862)	(375,634)
<u>Cash Flows from Noncapital Financing Activities</u>				
Operating Grants Received	269,389	0	0	269,389
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	(5,385)	0	0	(5,385)
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	0	449	5,418	5,867
Net Increase (Decrease) in Cash and Cash Equivalents	(47,443)	(61,876)	3,556	(105,763)
Cash and Cash Equivalents Beginning of Year	345,019	682,506	177,085	1,204,610
Cash and Cash Equivalents End of Year	\$297,576	\$620,630	\$180,641	\$1,098,847
See accompanying notes to the general purpose financial statements				(Continued)

Franklin Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 1999
 (Continued)

	<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>	
Reconciliation of Operating Income (Loss) to Net Cash <u>Used for Operating Activities:</u>				
Operating Income (Loss)	(\$353,362)	(\$104,974)	\$4,889	(\$453,447)
Adjustments to Reconcile Operating Income <u>(Loss) to Net Cash Used for Operating Activities:</u>				
Depreciation	8,054	0	0	8,054
Donated Commodities Used During the Year	57,194	0	0	57,194
Interest Income	0	0	(6,511)	(6,511)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(4,216)	60	0	(4,156)
Increase in Prepaid Items	(280)	(10,341)	0	(10,621)
Increase in Materials and Supplies Inventory	(56)	0	0	(56)
Increase in Inventory Held for Resale	(4,136)	0	0	(4,136)
Decrease in Accounts Payable	(22,196)	0	(240)	(22,436)
Increase in Claims Payable	0	49,671	0	49,671
Increase in Accrued Salaries and Benefits Payable	6,372	0	0	6,372
Increase in Intergovernmental Payable	205	0	0	205
Increase in Deferred Revenue	0	3,259	0	3,259
Increase in Compensated Absences Payable	974	0	0	974
Net Cash Used for Operating Activities	<u>(\$311,447)</u>	<u>(\$62,325)</u>	<u>(\$1,862)</u>	<u>(\$375,634)</u>
Cash and Cash Equivalents - All Fiduciary Funds		\$217,283		
Cash and Cash Equivalents - Agency Funds		<u>36,642</u>		
Cash and Cash Equivalents - Non-Expendable Trust Fund		<u>\$180,641</u>		

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 102 classified employees, 137 certificated full-time teaching personnel, and 10 administrative employees who provide services to 2,529 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 19 and 20 to the general purpose financial statements.

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).

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.

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, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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.

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 object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

By no later than January 20, the Board-adopted budget is filed with the 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 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution 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, or alter total function appropriations within a fund, or alter object appropriations within functions, 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.

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 proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the combined balance sheet.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$243,275, which includes \$162,483 assigned from other School District funds.

The School District has a segregated bank account for the self insurance internal service fund and the payroll monies held separate from the School District's central bank account. 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.

The ending balance of the drug-free schools grant money held by the Muskingum County Board of Education on the School District's behalf is presented as "cash and cash equivalents with fiscal agents" on the balance sheet.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are reported as investments.

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, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

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 21 for the calculation of the year end restricted asset balance and the corresponding fund 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.

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
- Goals 2000
- Teacher Development
- Title I
- Title VI
- Title VI-B
- Transition Funding
- Drug-Free Schools
- Textbook and Instructional Material Subsidy

Capital Projects Funds

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

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-nine percent of governmental fund revenue during the 1999 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.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 - RESTATEMENT OF PRIOR YEAR BALANCES

During fiscal year 1999, the School District had a reappraisal completed which made it necessary to restate fixed assets and accumulated depreciation. The enterprise funds’ deferred revenue was understated, a mistake from a fiscal year prior to fiscal year 1998. The two changes noted did not effect the excess of revenues over/under expenses for fiscal year 1998. These changes did however have the following effects on retained earnings as it was previously reported as of June 30, 1998.

	Enterprise
Balances as previously reported	\$288,218
Understatement of Fixed Assets	53,616
Overstatement of Accumulated Depreciation	36,484
Understatement of Deferred Revenue	(1,596)
Restated Balances as of July 1, 1998	\$376,722

The general fixed asset account group total fixed assets increased from \$20,656,398 to \$21,161,819 as of June 30,1998, due to an understatement of fixed assets.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund 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).
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.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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	\$436,794	\$92,830	\$98,125	(\$1,019,534)
Revenue Accruals	254,511	46,801	2,960	(7,551)
Unrecorded Cash	(108)	(72)	0	0
Expenditure Accruals	75,992	(36,283)	0	(879,148)
Prepaid Items	363	(13,981)	0	0
Encumbrances	(461,035)	(21,635)	0	(542,441)
Budget Basis	<u>\$306,517</u>	<u>\$67,660</u>	<u>\$101,085</u>	<u>(\$2,448,674)</u>

Net Income (Loss) Excess of Revenues Over (Under) Expenses
All Proprietary Fund Types and Similar Trust Fund

	Enterprise	Internal Service	Non-Expendable Trust
GAAP Basis	(\$33,349)	(\$104,525)	\$4,889
Revenue Accrual	(1,988)	3,319	(1,093)
Unrecorded Cash	0	(73)	0
Expense Accrual	(14,645)	34,565	(240)
Prepaid Items	(280)	(10,341)	0
Materials and Supplies Inventory	(56)	0	0
Inventory Held for Resale	(4,136)	0	0
Capital Outlay	(5,385)	0	0
Depreciation Expense	8,054	0	0
Loss on Sale of Fixed Asset	4,342	0	0
Encumbrances	(36,674)	0	(1,000)
Budget Basis	<u>(\$84,117)</u>	<u>(\$77,055)</u>	<u>\$2,556</u>

NOTE 5 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 1999:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Title VI-B	\$2,432
Early Childhood	628
<u>Capital Projects Fund:</u>	
Classroom Facilities	87,723

The deficit balances in the special revenue and capital projects funds are the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 6- DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim 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.

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;

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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.

Cash On Hand: At year end, the School District had \$253 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".

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$5,566,990 and the bank balance was \$5,871,229. Of the bank balance, \$156,176 was covered by federal depository insurance and \$5,715,053 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: At June 30, 1999, the investment balance was \$638,760 and was limited to mutual funds. These investments are not categorized as to risk because they are not evidenced by securities that exist in physical or book entry form.

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	\$6,206,018	\$0
Investments of the Cash Management Pool:		
Cash on Hand	(253)	0
Cash with Fiscal Agent	(15)	0
Mutual Funds	(638,760)	638,760
GASB Statement 3	\$5,566,990	\$638,760

At June 30, 1999, the School District's drug-free schools special revenue fund had a cash balance of \$15 with the Muskingum Valley Educational Service Center (MVESC), fiscal agent of the grant. The money is held by the MVESC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. To obtain financial information from MVESC, write Muskingum Valley Educational Service Center, 205 North Seventh Street, Zanesville, Ohio 43701.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 7- PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real and public utility property taxes are payable annually and semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, with the remainder payable by June 20, unless extended. Under certain, circumstances, State statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the rates determined in the preceding year.

Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously.

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$88,977,220	77.12%	\$90,861,050	76.18%
Public Utility	21,255,620	18.42	21,634,330	18.14
Tangible Personal Property	5,143,747	4.46	6,769,777	5.68
Total Assessed Value	<u>\$115,376,587</u>	<u>100.00%</u>	<u>\$119,265,157</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.60		\$41.60	

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 7- PROPERTY TAXES (continued)

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$898,580 in the general fund, \$20,711 in the classroom facility maintenance special revenue fund, \$165,657 in the bond retirement debt service fund, and \$51,818 in the permanent improvement capital projects fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, 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	\$2,610
Tuition Reimbursement	534
Substitute Pay Reimbursement	58
Drivers Education	250
Meeting Reimbursements	1,682
Total General Fund	5,134
Special Revenue Funds	
Telecommunications E-Rate	8,749
Library Grant	3,138
Every Child Reading Grant	800
Ohio High School Athletic Association	105
Total Special Revenue Funds	12,792
Capital Projects Funds	
Comprehensive School Reform	13,100
Enterprise Funds	
National School Lunch Program	35,127
Total Intergovernmental Receivables	\$66,153

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 9 - FIXED ASSETS

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

Furniture and Equipment	\$315,024
Vehicles	<u>6,600</u>
Total Fixed Assets	321,624
Less Accumulated Depreciation	<u>(201,978)</u>
Net Fixed Assets	<u><u>\$119,646</u></u>

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$509,270	\$69,522	\$4,000	\$574,792
Buildings and Improvements	7,732,417	13,958,101	259,776	21,430,742
Furniture, Fixtures and Equipment	2,780,351	325,030	240,892	2,864,489
Vehicles	1,401,605	171,575	75,737	1,497,443
Construction in Progress	<u>8,738,176</u>	<u>11,217</u>	<u>8,738,176</u>	<u>11,217</u>
Total General Fixed Assets	<u><u>\$21,161,819</u></u>	<u><u>\$14,535,445</u></u>	<u><u>\$9,318,581</u></u>	<u><u>\$26,378,683</u></u>

NOTE 10 - 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 1999, 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)	\$39,961,900
Inland Marine Coverage (\$100 deductible)	179,965
Boiler and Machinery (\$1,000 deductible)	8,609,900
Extra Expense (\$1,000 deductible)	500,000
Property Floater Coverage (\$100 deductible)	127,100
Employee Benefit Liability (\$1,000 deductible)	500,000
Crime Insurance - Premises	4,000
Crime Insurance - Messenger	4,000
Automobile Liability (\$1,250 deductible)	5,000,000
Uninsured Motorists (No deductible)	5,000,000

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 10 - RISK MANAGEMENT (continued)

General Liability	
Per occurrence	\$2,000,000
Total per year	5,000,000
Electronic Equipment (\$100 deductible)	723,148

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 1998.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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.

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 \$153,274 reported in the internal service fund at June 30, 1999 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
1998	\$242,775	\$641,902	\$781,074	\$103,603
1999	103,603	1,024,935	975,264	153,274

NOTE 11 - 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$141,163, \$160,464 and \$152,173, respectively; 47 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$74,521 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$347,636, \$579,852 and \$656,352, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$59,488 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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, 1999, one member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - 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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$463,514 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$147,516.

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees 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 40 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 Anthem Life Insurance Company.

NOTE 14 - 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 1999 totaled \$31,589 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, 1999.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

	Fiscal Year Ending June 30,	GLTOAG
	2000	\$50,623
	2001	28,623
Total		79,246
Less: Amount Representing Interest		(5,543)
Present Value of Net Minimum Lease Payments		\$73,703

NOTE 15 - CONTRACT OBLIGATIONS

As of June 30, 1999, the School District had contractual purchase commitments for three projects. The amount for each project is as follows:

Contractor	Fund	Purchase Commitments	Amounts Paid as of 6/30/99	Amounts Remaining on Contracts
National Computer Systems	General	\$564	\$232	\$332
Liberty Erection Service, Inc.	Classroom Facilities - Capital Projects	10,635	9,842	793
E. Mast and Sons, Inc.	Building Construction - Capital Projects	18,695	11,217	7,478
Totals		\$29,894	\$21,291	\$8,603

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 16 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds Payable	\$5,075,000	\$0	\$90,000	\$4,985,000
Tax Refund	189,411	0	70,342	119,069
Capital Leases	105,292	0	31,589	73,703
Pension Obligation	94,372	102,558	94,372	102,558
Compensated Absences	912,923	153,897	117,303	949,517
Total General Long-Term Obligations	<u>\$6,376,998</u>	<u>\$256,455</u>	<u>\$403,606</u>	<u>\$6,229,847</u>

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. The 4.5 mill levy, of which .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 \$7,765,088 in proceeds to date from the school facilities loan, the amount received in fiscal year 1999 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 \$6,277,667, with an unvoted debt margin of \$119,265 at June 30, 1999.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Principal and interest debt service requirements on the general obligation bonds to maturity, including \$3,675,419 interest, are as follows:

Year Ending June 30	General Obligation Bonds
2000	\$375,734
2001	376,345
2002	391,250
2003-2006	1,604,738
2007-2010	1,699,867
2011-2014	1,806,420
2015-2018	1,912,385
2019	493,680
Total	\$8,660,419

The tax refund of \$119,069 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
2000	\$58,075
2001	60,994
Total	\$119,069

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 17 - INTERFUND ACTIVITY

Interfund balances at June 30, 1999, 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	\$8,138	\$2,539
Special Revenue Funds:		
Title VI-B	419	0
Early Childhood	2,120	0
Total Special Revenue Funds	2,539	0
Agency Fund:		
Payroll Agency	0	8,138
Total Due from/Due to Other Funds	\$10,677	\$10,677

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 18 - 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, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$332,250	\$25,720	\$357,970
Depreciation Expense	8,054	0	8,054
Operating Income (Loss)	(354,311)	949	(353,362)
Donated Commodities	57,194	0	57,194
Operating Grants	264,788	0	264,788
Interest Income	2,373	0	2,373
Loss on Sale of Fixed Assets	(4,342)	0	(4,342)
Net Income (Loss)	(34,298)	949	(33,349)
Fixed Assets Additions	5,385	0	5,385
Fixed Assets Deletions	14,534	0	14,534
Net Working Capital	220,031	29,565	249,596
Total Assets	464,085	29,565	493,650
Long-Term Liabilities paid from Fund Revenues	20,869	0	20,869
Total Equity	318,808	29,565	348,373
Encumbrances Outstanding at June 30, 1999	35,403	1,271	36,674

NOTE 19 - 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 1999 was \$33,165. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, Debbie Angelo, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio.

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 1999 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 paid a membership fee of \$300 in fiscal year 1999.

NOTE 20 - 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 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$65,186	\$65,186
Current Year Set-aside Requirement	160,062	160,062	80,031	400,155
Current Year Offsets	0	(410,318)	0	(410,318)
Qualifying Disbursements	(182,958)	(698,718)	0	(881,676)
Totals	<u>(\$22,896)</u>	<u>(\$948,974)</u>	<u>\$145,217</u>	<u>(\$826,653)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$145,217</u>	\$145,217
Amount restricted for bus purchases				<u>136,674</u>
Total Restricted Assets				<u>\$281,891</u>

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

NOTE 22 - YEAR 2000

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as fiscal year 1999.

Franklin Local School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The School District uses the State of Ohio Uniform Accounting System software for its financial reporting, and payroll and employee benefits. The State is responsible for remediating this system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

In the continuing effort to assess all computer equipment, other areas may be found (clock systems, fire alarm systems, vocational equipment, etc.) and, if so, changes will be made in those systems. We anticipate that all costs will be handled through departmental and or building appropriations.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

NOTE 23 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

NOTE 24 - 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, 1999, the School District received \$6,899,396 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$7,765,088 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. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 25 - SUBSEQUENT EVENT

On August 23, 1999, the School District received their last payment of classroom facilities money from the Ohio School Facilities Commission for \$213,008.

Also on November 2, 1999, the School District renewed a 2 mill permanent improvement levy.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Agency/Program/Grant	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. Department of Education</u>						
Passed through State Department of Education:						
Title I	C1-S1-98	84.010	\$ 96,618	\$ -	\$ 79,122	\$ -
	C1-S1-99	84.010	337,470	-	261,013	-
	C1-S1-00	84.010	<u>-</u>	<u>-</u>	<u>18,136</u>	<u>-</u>
Total Title I			434,088	-	358,271	-
Special Education Grants to States (IDEA Part B- Title VI-B)	6B-SF-98	84.027	17,832	-	17,903	-
	6B-SF-99	84.027	<u>103,628</u>	<u>-</u>	<u>87,418</u>	<u>-</u>
Total Title VI-B			121,460	-	105,321	-
Goals 2000	G2-S5-99	84.276	72,800	-	125,978	-
Dwight D Eisenhower	MS-S1-99	84.281	11,717	-	13,638	-
Innovative Education Program Strategy	C2-S1-99	84.298	9,039	-	9,201	-
Comprehensive School Reform		84.332	235,000	-	232,600	-
Drug Free Education		84.186	12,851	-	15,028	-
Direct Program:						
E-Rate Telecommunication		84.XXX	<u>14,738</u>	<u>-</u>	<u>3,695</u>	<u>-</u>
Total U.S. Department of Education			911,693	-	863,732	-
<u>U.S. Department of Health and Human Services</u>						
Passed Through State Department of Education:						
Dependent Care Subsidy - Latch Key Program		93.673	<u>30,014</u>	<u>-</u>	<u>668</u>	<u>-</u>
Total U.S. Department of Health and Human Services			30,014	-	668	-
<u>U.S. Department of Agriculture</u>						
Passed Through State Department of Education:						
Food Distribution Program Nutrition Cluster:		10.550	-	63,151	-	59,581
School Breakfast Program	05PU	10.553	36,406	-	36,406	-
National School Lunch Program	04PU	10.555	206,436	-	206,436	-
Summer Food Program	24-AD	10.559	<u>9,613</u>	<u>-</u>	<u>9,613</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>252,455</u>	<u>(63,151)</u>	<u>252,455</u>	<u>\$59,581</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,194,162</u>	<u>\$63,151</u>	<u>\$1,116,855</u>	<u>\$59,581</u>

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures 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, 1999, the School District had no significant food commodities in inventory.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**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 Members of the Board:

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

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the School District in a separate letter dated November 30, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 30, 1999.

This report is intended for the information and use of 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

November 30, 1999



**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 Members of the Board:

Compliance

We have audited the compliance of Franklin Local School District, Muskingum County, (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, 1999. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

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

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 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 30, 1999

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

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):	Title I, Part A, IASA
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JANUARY 18, 2000**