



**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Ft. Recovery Local School District
Mercer County
207 South Gwendolyn Street
Ft. Recovery, Ohio 45846

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ft. Recovery Local School District, Mercer County (the School District), as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ft. Recovery Local School District, Mercer County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

During the year ended June 30, 2001, the Government adopted Governmental Accounting Statement Numbers 33 and 36.

We performed our audit to form an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 30, 2001

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**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,458,909	\$203,794	\$236,707	\$632,544
Receivables:				
Property Taxes	1,302,620	33,891	214,352	155,841
Income Taxes	253,187			
Accounts	37,377	149		
Intergovernmental	1,814	13,652		5,051
Accrued Interest	21,566			
Interfund	13,579			
Due from Other Funds	2,700			
Prepaid Items	16,496			
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	42,648			
Cash and Cash Equivalents with Escrow Agent				49,638
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	3,150,896	251,486	451,059	843,074
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	22,584	28,206		3,680
Contracts Payable				67,304
Accrued Wages and Benefits	564,675	19,098		
Compensated Absences Payable	12,652			
Intergovernmental Payable	95,512	2,560		
Interfund Payable		13,579		
Due to Other Funds	500	2,700		
Retainage Payable				11,059
Deferred Revenue	1,349,094	37,214	211,730	154,118
Undistributed Assets				
Due to Students				
Payable from Restricted Assets:				
Retainage Payable				49,638
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	2,045,017	103,357	211,730	285,799
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	14,610	675	2,622	1,723
Reserved for Budget Stabilization	17,532			
Reserved for Bus Purchase	25,116			
Reserved for Encumbrances	64,935	39,484		497,624
Designated for Textbooks	3,061			
Designated for Capital Improvements	24,882			
Unreserved, Undesignated	955,743	107,970	236,707	57,928
Total Fund Equity and Other Credits	1,105,879	148,129	239,329	557,275
Total Liabilities, Fund Equity, and Other Credits	\$3,150,896	\$251,486	\$451,059	\$843,074

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$122,590	\$43,804			\$2,698,348
				1,706,704
				253,187
1,825				39,351
				20,517
				21,566
				13,579
	500			3,200
6,482				16,496
495				6,482
				495
				42,648
				49,638
280,243		\$21,618,658		21,898,901
			\$239,329	239,329
			3,473,244	3,473,244
<u>411,635</u>	<u>44,304</u>	<u>21,618,658</u>	<u>3,712,573</u>	<u>30,483,685</u>
266				54,736
				67,304
20,077				603,850
11,334			380,068	404,054
17,047			41,214	156,333
				13,579
				3,200
				11,059
4,150				1,756,306
	532			532
	43,772			43,772
				49,638
			82,338	82,338
			3,208,953	3,208,953
<u>52,874</u>	<u>44,304</u>		<u>3,712,573</u>	<u>6,455,654</u>
		21,618,658		21,618,658
80,775				80,775
277,986				277,986
				19,630
				17,532
				25,116
				602,043
				3,061
				24,882
				1,358,348
<u>358,761</u>		<u>21,618,658</u>		<u>24,028,031</u>
<u>\$411,635</u>	<u>\$44,304</u>	<u>\$21,618,658</u>	<u>\$3,712,573</u>	<u>\$30,483,685</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
Property Taxes	\$1,307,211	\$31,202	\$330,485	\$108,936	\$1,777,834
Income Taxes	619,988				619,988
Intergovernmental	3,467,537	458,252	31,491	693,502	4,650,782
Interest	154,384			92,710	247,094
Tuition and Fees	93,526				93,526
Extracurricular Activities		180,009			180,009
Gifts and Donations	63,378	20,663			84,041
Miscellaneous	44,004	14,492		15,743	74,239
Total Revenues	<u>5,750,028</u>	<u>704,618</u>	<u>361,976</u>	<u>910,891</u>	<u>7,727,513</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,603,279	233,060		1,887	2,838,226
Special	498,513	183,668			682,181
Vocational	154,007	78,230			232,237
Other	52,139				52,139
Support Services:					
Pupils	141,916	76,919			218,835
Instructional Staff	254,692	125,201			379,893
Board of Education	16,826			714	17,540
Administration	542,910	9,492			552,402
Fiscal	180,019	741	6,090	6,956	193,806
Business	7,762				7,762
Operation and Maintenance of Plant	829,654	45,893			875,547
Pupil Transportation	201,593	1,581			203,174
Central	77,488				77,488
Extracurricular Activities	175,215	98,536			273,751
Capital Outlay		516		2,563,327	2,563,843
Debt Service:					
Principal Retirement			214,100		214,100
Interest and Fiscal Charges			138,398		138,398
Total Expenditures	<u>5,736,013</u>	<u>853,837</u>	<u>358,588</u>	<u>2,572,884</u>	<u>9,521,322</u>
Excess of Revenues Over (Under) Expenditures	14,015	(149,219)	3,388	(1,661,993)	(1,793,809)
Other Financing Sources:					
Sale of Fixed Assets	26,060				26,060
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	40,075	(149,219)	3,388	(1,661,993)	(1,767,749)
Fund Balances at Beginning of Year - Restated Note 4	1,073,566	297,348	235,941	2,219,268	3,826,123
Decrease in Reserve for Inventory	(7,762)				(7,762)
Fund Balances at End of Year	<u>\$1,105,879</u>	<u>\$148,129</u>	<u>\$239,329</u>	<u>\$557,275</u>	<u>\$2,050,612</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,237,548	\$1,303,791	\$66,243	\$30,053	\$30,814	\$761
Income Taxes	637,488	585,633	(51,855)			
Intergovernmental	3,218,907	3,468,405	249,498	408,199	399,848	(8,351)
Interest	123,120	153,941	30,821			
Tuition and Fees	76,720	93,566	16,846			
Extracurricular Activities				170,295	180,814	10,519
Gifts and Donations	1,878	63,378	61,500	18,153	20,663	2,510
Miscellaneous	7,576	3,236	(4,340)	13,552	13,532	(20)
Total Revenues	<u>5,303,237</u>	<u>5,671,950</u>	<u>368,713</u>	<u>640,252</u>	<u>645,671</u>	<u>5,419</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,694,670	2,655,859	38,811	257,073	246,836	10,237
Special	512,899	490,794	22,105	104,383	100,323	4,060
Vocational	156,236	150,563	5,673	78,404	78,230	174
Other	57,100	52,444	4,656			
Support Services:						
Pupils	146,496	141,849	4,647	81,232	78,168	3,064
Instructional Staff	262,518	250,396	12,122	139,523	134,981	4,542
Board of Education	20,310	17,743	2,567			
Administration	558,977	539,993	18,984	13,896	9,748	4,148
Fiscal	179,746	177,923	1,823	820	741	79
Business	9,000	7,762	1,238			
Operation and Maintenance of Plant	949,207	882,989	66,218	66,858	48,513	18,345
Pupil Transportation	225,154	201,841	23,313	1,841	1,581	260
Central	89,760	77,409	12,351			
Extracurricular Activities	179,781	175,202	4,579	126,828	118,895	7,933
Capital Outlay				8,425	4,941	3,484
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>6,041,854</u>	<u>5,822,767</u>	<u>219,087</u>	<u>879,283</u>	<u>822,957</u>	<u>56,326</u>
Excess of Revenues Over (Under) Expenditures	<u>(738,617)</u>	<u>(150,817)</u>	<u>587,800</u>	<u>(239,031)</u>	<u>(177,286)</u>	<u>61,745</u>
Other Financing Sources (Uses):						
Sale of Fixed Assets		6,406	6,406			
Refund of Prior Year Expenditures		20,919	20,919		1,180	1,180
Refund of Prior Year Receipts					(674)	(674)
Other Financing Sources	140	228	88		0	0
Advances In		25,038	25,038		19,221	19,221
Advances Out		(22,921)	(22,921)		(21,338)	(21,338)
Total Other Financing Sources (Uses)	<u>140</u>	<u>29,670</u>	<u>29,530</u>	<u>(1,611)</u>	<u>(1,611)</u>	<u>(1,611)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(738,477)</u>	<u>(121,147)</u>	<u>617,330</u>	<u>(239,031)</u>	<u>(178,897)</u>	<u>60,134</u>
Fund Balances at Beginning of Year	1,364,954	1,364,954		253,015	253,015	
Prior Year Encumbrances Appropriated	170,102	170,102		59,267	59,267	
Fund Balances at End of Year	<u>\$796,579</u>	<u>\$1,413,909</u>	<u>\$617,330</u>	<u>\$73,251</u>	<u>\$133,385</u>	<u>\$60,134</u>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$346,429	\$330,589	(\$15,840)	\$99,825	\$108,548	\$8,723
34,051	31,491	(2,560)	688,657	688,541	(116)
			129,375	129,823	448
				15,693	15,693
<u>380,480</u>	<u>362,080</u>	<u>(18,400)</u>	<u>917,857</u>	<u>942,605</u>	<u>24,748</u>
			326,190	319,559	6,631
			2,215	2,215	
6,500	6,090	410	7,027	6,956	71
			48,267	43,031	5,236
			3,935,529	3,919,934	15,595
214,100	214,100				
138,398	138,398				
<u>358,998</u>	<u>358,588</u>	<u>410</u>	<u>4,319,228</u>	<u>4,291,695</u>	<u>27,533</u>
<u>21,482</u>	<u>3,492</u>	<u>(17,990)</u>	<u>(3,401,371)</u>	<u>(3,349,090)</u>	<u>52,281</u>
				50	50
				<u>50</u>	<u>50</u>
21,482	3,492	(17,990)	(3,401,371)	(3,349,040)	52,331
233,215	233,215		1,085,065	1,085,065	
			2,328,305	2,328,305	
<u>\$254,697</u>	<u>\$236,707</u>	<u>(\$17,990)</u>	<u>\$11,999</u>	<u>\$64,330</u>	<u>\$52,331</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Operating Revenues:	
Tuition	\$24,035
Sales	192,895
Other Operating Revenues	<u>468</u>
Total Operating Revenues	<u>217,398</u>
Operating Expenses:	
Salaries	113,029
Fringe Benefits	30,200
Purchased Services	9,175
Materials and Supplies	11,514
Cost of Sales	142,386
Depreciation	16,349
Other Operating Expenses	<u>394</u>
Total Operating Expenses	<u>323,047</u>
Operating Loss	<u>(105,649)</u>
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	25,204
Operating Grants	39,473
Interest	3,211
Loss on Disposal of Fixed Assets	<u>(8,652)</u>
Total Non-Operating Revenues (Expenses)	<u>59,236</u>
Net Loss	(46,413)
Retained Earnings at Beginning of Year	<u>127,188</u>
Retained Earnings at End of Year	<u>80,775</u>
Contributed Capital at Beginning of Year	167,486
Contributions from Other Funds	<u>110,500</u>
Contributed Capital at End of Year	<u>277,986</u>
Total Fund Equity at End of Year	<u><u>\$358,761</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Tuition	\$24,611	\$24,035	(\$576)
Sales	151,048	192,840	41,792
Operating Grants	48,400	39,473	(8,927)
Interest	2,800	3,211	411
Other Revenues	<u>468</u>	<u>468</u>	<u>468</u>
 Total Revenues	 <u>226,859</u>	 <u>260,027</u>	 <u>33,168</u>
Expenses:			
Salaries	127,829	110,810	17,019
Fringe Benefits	32,866	24,863	8,003
Purchased Services	11,600	10,305	1,295
Materials and Supplies	139,147	129,852	9,295
Capital Outlay	42,173	49,213	(7,040)
Other Expenses	<u>650</u>	<u>394</u>	<u>256</u>
 Total Expenses	 <u>354,265</u>	 <u>325,437</u>	 <u>28,828</u>
 Excess of Revenues Under Expenses	 (127,406)	 (65,410)	 61,996
 Fund Balances at Beginning of Year	 144,189	 144,189	
Prior Year Encumbrances Appropriated	<u>14,165</u>	<u>14,165</u>	
 Fund Balances at End of Year	 <u><u>\$30,948</u></u>	 <u><u>\$92,944</u></u>	 <u><u>\$61,996</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$216,875
Cash Payments for Salaries	(110,810)
Cash Payments for Fringe Benefits	(24,822)
Cash Payments for Goods and Services	(139,474)
Cash Received from Other Revenues	468
Cash Payments for Other Expenses	(394)
Net Cash Used for Operating Activities	<u>(58,157)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	<u>39,473</u>
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Cash Flows from Capital and Related Financing Activities:

Cash Payments for Fixed Assets	<u>(20,291)</u>
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>3,211</u>
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Net Decrease in Cash and Cash Equivalents	(35,764)
Cash and Cash Equivalents at Beginning of Year	<u>158,354</u>
Cash and Cash Equivalents at End of Year	<u><u>122,590</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(105,649)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities

Depreciation	16,349
Donated Commodities Used During Year	25,204
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(55)
Increase in Inventory Held for Resale	(516)
Increase in Materials and Supplies Inventory	(75)
Decrease in Accounts Payable	(1,011)
Increase in Accrued Wages and Benefits	3,399
Increase in Compensated Absences Payable	304
Increase in Intergovernmental Payable	<u>3,893</u>
Net Cash Used for Operating Activities	<u><u>(\$58,157)</u></u>

Non-Cash Capital Transactions:

During fiscal year 2001, the Food Service enterprise fund received fixed assets that were purchased in the School District's governmental funds, in the amount of \$110,500.

See Accompanying Notes to the General Purpose Financial Statements.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1958. The School District serves an area of approximately sixty square miles. It is located in Mercer and Darke Counties. The School District is the 496th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-nine classified employees, sixty-two certified teaching personnel, and four administrative employees who provide services to nine hundred eighty-eight students and other community members. The School District currently operates three instructional buildings, a bus garage, and an administration building.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fort Recovery 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 organizations' 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. There are no component units of the Fort Recovery Local School District.

The School District is associated with three jointly governed organizations, two insurance pools, and a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the Northwestern Ohio Educational Research Council, Inc, the NOACSC Workers' Compensation Group Rating Plan, the Mercer Auglaize Employee Benefit Trust, and the Fort Recovery Public Library. These organizations are presented in Notes 21, 22, and 23 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fort Recovery 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 enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

1. 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) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

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

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

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).

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type

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

Enterprise Funds

Enterprise funds are used to account for 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.

3. Fiduciary Fund Types

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

4. 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, except those accounted for in proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds.

B. Measurement Focus and Basis of Accounting

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

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary fund types are accounted for using 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. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., 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 fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Budgetary 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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The Title VI-B special revenue fund is a flow-through grant in which the Mercer County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

1. 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 Mercer County Budget Commission for rate determination.

2. 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 fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources 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 of estimated resources issued during fiscal year 2001.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as 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 appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by the Mercer County Educational Service Center, consistent with statutory provisions.

4. 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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise funds.

5. 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 Investments

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

Cash and cash equivalents that are held separately for the School District by an escrow agent and not held within the School District treasury are recorded on the combined balance sheet as "Cash and Cash Equivalents with Escrow Agent".

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit and mutual funds. Nonnegotiable certificates of deposit are reported at cost. Mutual funds are reported at fair value, which is based on current share price.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$154,384, which included \$48,433 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity 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, and not purchased from the pool, are reported as investments.

E. Prepaid Items

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

F. Inventory

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise funds consists of donated and purchased food and is expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

Restricted assets in the capital projects funds represent the escrow accounts established for the payment of retainage on construction projects upon completion.

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 enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables". Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from/to Other Funds".

J. Compensated Absences

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

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

K. 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, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these obligations made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Long-term loans and bonds are reported as liabilities in the general long-term obligations account group until due.

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

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Contributed Capital

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

Because the School District had not prepared financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

M. Fund Balance Reserves and Designations

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 property taxes, budget stabilization, bus purchase, and encumbrances.

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 monies set aside to protect against cyclical changes in revenues and expenditures. The designation for textbooks and capital improvements represent revenues set aside that exceed statutorily required amounts.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

O. Estimates

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

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available.

4. RESTATEMENT OF FUND EQUITY

The restatement for GASB Statements No. 33 and No. 36 had the following effect on fund balance as previously reported as of June 30, 2000.

	General	Special Revenue
Fund Balance as Previously Reported	\$1,086,995	\$258,815
Intergovernmental Receivable	0	38,533
Deferred Revenue	(13,429)	0
Restated Fund Balance at June 30, 2000	<u>\$1,073,566</u>	<u>\$297,348</u>

The restatement had the following effect on the excess of revenues and other financing sources over (under) expenditures and other financing uses as previously reported for the fiscal year ended June 30, 2000.

	General Fund	Special Revenue
Excess as Previously Reported	\$514,212	(\$38,867)
Intergovernmental Receivable	0	38,533
Deferred Revenue	(13,429)	0
Restated Amount for the Fiscal Year Ended June 30, 2000	<u>\$500,783</u>	<u>(\$334)</u>

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the Preschool and Title I special revenue funds had deficit fund balances, in the amount of \$4,753 and \$7,347, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 2001:

<u>Fund Type/Fund/ Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
Instruction			
Regular			
Salaries	\$1,755,203	\$1,764,104	\$8,901
Purchased Services	20,000	20,023	23
Materials and Supplies	151,422	159,691	8,269
Other	2,500	2,606	106
Capital Outlay - Replacement	40,000	78,226	38,226
Support Services			
Pupils			
Fringe Benefits	28,426	29,101	675
Materials and Supplies	2,000	2,335	335

(continued)

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

Fund Type/Fund/ Function/Object	Appropriations	Expenditures	Excess
General Fund (continued)			
Instructional Staff			
Fringe Benefits	\$46,586	\$48,057	\$1,471
Board of Education			
Salaries	5,200	5,360	160
Fringe Benefits	310	731	421
Materials and Supplies	300	467	167
Administration			
Other	2,000	2,440	440
Fiscal			
Fringe Benefits	28,000	28,404	404
Materials and Supplies	2,315	2,844	529
Operation and Maintenance of Plant			
Salaries	233,507	238,293	4,786
Central			
Salaries	4,780	4,842	62
Extracurricular Activities			
Sports Oriented			
Fringe Benefits	12,075	15,037	2,962
Purchased Services	521	903	382
Special Revenue Funds			
Martha Holden Jennings			
Instruction			
Regular			
Salaries	0	140	140
Fringe Benefits	0	22	22
Support Services			
Instructional Staff			
Purchased Services	45	303	258

(continued)

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

Fund Type/Fund/ Function/Object	Appropriations	Expenditures	Excess
Special Revenue Funds (continued)			
Public School Support			
Support Services			
Pupils			
Purchased Services	\$30,000	\$30,587	\$587
Materials and Supplies	17,500	26,584	9,084
Instructional Staff			
Materials and Supplies	2,800	3,143	343
Other	0	30	30
Classroom Facilities Maintenance			
Support Services			
Operation and Maintenance of Plant			
Purchased Services	10,000	13,830	3,830
Materials and Supplies	0	310	310
Athletics			
Support Services			
Operation and Maintenance of Plant			
Purchased Services	8,000	9,128	1,128
Extracurricular Activities			
Sports Oriented			
Salaries	7,000	7,046	46
Fringe Benefits	1,000	1,072	72
Purchased Services	25,474	30,298	4,824
Materials and Supplies	46,650	50,158	3,508
Capital Outlay - Replacement	0	550	550
Public School Preschool			
Instruction			
Special			
Salaries	19,086	21,184	2,098

(continued)

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

Fund Type/Fund/ Function/Object	Appropriations	Expenditures	Excess
Special Revenue Funds (continued)			
Public School Preschool (continued)			
Support Services			
Instructional Staff			
Salaries	\$18,794	\$19,769	\$975
Purchased Services	700	1,835	1,135
SchoolNet Professional Development			
Instruction			
Regular			
Salaries	122	175	53
Fringe Benefits	0	27	27
OhioReads			
Instruction			
Regular			
Materials and Supplies	81,362	81,848	486
Support Services			
Pupils			
Other	100	703	603
Instructional Staff			
Salaries	1,200	1,795	595
Fringe Benefits	0	126	126
Materials and Supplies	200	324	124
Other	1,000	1,694	694
Miscellaneous State Grants			
Instruction			
Regular			
Salaries	1,500	1,965	465
Materials and Supplies	18,826	18,966	140

(continued)

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

Fund Type/Fund/ Function/Object	Appropriations	Expenditures	Excess
Special Revenue Funds (continued)			
Support Services			
Pupils			
Materials and Supplies	\$500	\$1,242	\$742
Instructional Staff			
Materials and Supplies	0	116	116
Pupil Transportation			
Fringe Benefits	0	52	52
Title I			
Instruction			
Special			
Salaries	41,912	42,135	223
Title VI-R			
Instruction			
Regular			
Fringe Benefits	1,486	1,579	93
Miscellaneous Federal Grants			
Support Services			
Instructional Staff			
Fringe Benefits	5,422	5,434	12
Refund of Prior Year Expenditures	0	674	674
Capital Projects Funds			
Permanent Improvement			
Support Services			
Operation and Maintenance of Plant			
Capital Outlay - New	6,226	8,274	2,048
Capital Outlay - Replacement	25,325	27,586	2,261
SchoolNet			
Instruction			
Regular			
Capital Outlay - New	18,000	18,807	807

(continued)

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

<u>Fund Type/Fund/ Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Enterprise Funds			
Food Service			
Capital Outlay	\$35,969	\$46,714	\$10,745
Adult Education			
Purchased Services	0	55	55
Preschool			
Materials and Supplies	3,000	3,408	408

6. 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 (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds 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 enterprise funds (GAAP basis).
3. For enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
4. Although not part of the appropriated budget, the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$40,075	(\$149,219)	\$3,388	(\$1,661,993)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	193,585	39,915	2,726	1,425
Accrued FY 2001, Not Yet Received in Cash	(270,170)	(10,478)	(2,622)	(6,774)
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(689,378)	(39,153)	0	(1,232,640)
Accrued FY 2001, Not Yet Paid in Cash	695,923	52,564	0	82,043
Cash Adjustments:				
Unrecorded Activity FY 2000	0	0	0	37,113
Prepaid Items	(5,651)	0	0	0
Advances In	25,038	19,221	0	0
Advances Out	(22,921)	(21,338)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(87,648)	(70,409)	0	(568,214)
Budget Basis	<u>(\$121,147)</u>	<u>(\$178,897)</u>	<u>\$3,492</u>	<u>(\$3,349,040)</u>

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses Enterprise Funds	
GAAP Basis	(\$46,413)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	52
Accrued FY 2001, Not Yet Received in Cash	(107)
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(41,027)
Accrued FY 2001, Not Yet Paid in Cash	48,724
Inventory Held for Resale	(516)
Materials and Supplies Inventory	(75)
Acquisition of Fixed Assets	(21,403)
Depreciation Expense	16,349
Loss on Disposal of Fixed Assets	8,652
Encumbrances Outstanding at Year End (Budget Basis)	<u>(29,646)</u>
Budget Basis	<u><u>(\$65,410)</u></u>

7. DEPOSITS AND INVESTMENTS

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

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

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

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

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

7. DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$950 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the School District's deposits was \$2,789,670 and the bank balance was \$3,051,191. Of the bank balance, \$543,818 was covered by federal depository insurance and \$2,507,373 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 FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. The mutual funds had a fair value of \$14 at June 30, 2001.

The classification of cash and cash equivalents and investments on the combined balance sheet 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 classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,790,634	\$0
Cash on Hand	(950)	0
Investments:		
Mutual Funds	(14)	14
GASB Statement No. 3	<u>\$2,789,670</u>	<u>\$14</u>

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

8. PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at year end. The receivable is 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, 2001, was \$14,610 in the General Fund, \$675 in the Classroom Facilities Maintenance special revenue fund, \$2,622 in the Bond Retirement debt service fund, and \$1,723 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$11,190 in the General Fund, \$287 in the Classroom Facilities Maintenance special revenue fund, \$2,726 in the Bond Retirement debt service fund, and \$1,335 in the Permanent Improvement capital projects fund.

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

	2000 Second - Half Collections		2001 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$56,845,970	84.02%	\$57,176,180	83.40%
Public Utility	3,662,510	5.41	3,828,960	5.58
Tangible Personal	7,151,280	10.57	7,558,628	11.02
Total Assessed Value	<u>\$67,659,760</u>	<u>100.00%</u>	<u>\$68,563,768</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.05		\$34.10	

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. INCOME TAXES

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

10. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, income taxes, accounts (student fees and billings for user charged services), intergovernmental, accrued interest, interfund, and services charged to other funds. 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 year guarantee of federal funds. Accounts receivable at June 30 were \$39,351.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
E Rate	\$1,058
Reimbursement	681
Miscellaneous	75
Total General Fund	1,814
Special Revenue Funds	
Eisenhower	
Grant	317
Title I	
Grant	5,956
Title VI	
Grant	2,977
Drug Free	
Grant	2,932
Title VI-R	
Grant	1,470
Total Special Revenue Funds	13,652
Capital Projects Fund	
Video Distance Learning	
Grant	5,051
Total Intergovernmental Receivables	\$20,517

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$339,725
Less Accumulated Depreciation	(59,482)
Net Fixed Assets	<u>\$280,243</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$1,598,449	\$315,371	\$0	\$1,913,820
Buildings and Improvements	2,522,265	946,818	12,774	3,456,309
Furniture, Fixtures, and Equipment	1,771,016	1,346,934	331,227	2,786,723
Vehicles	676,420	21,500	11,469	686,451
Construction in Progress	12,127,289	857,073	209,007	12,775,355
Totals	<u>\$18,695,439</u>	<u>\$3,487,696</u>	<u>\$564,477</u>	<u>\$21,618,658</u>

12. INTERFUND ASSETS/LIABILITIES

At June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Funds</u>	<u>Receivable</u>		<u>Payable</u>	
	<u>Interfund</u>	<u>Due from</u>	<u>Interfund</u>	<u>Due to</u>
General Fund	\$13,579	\$2,700	\$0	\$500
Special Revenue Funds				
Public School Preschool	0	0	0	2,700
Title I	0	0	13,579	0
Total Special Revenue Funds	<u>0</u>	<u>0</u>	<u>13,579</u>	<u>2,700</u>
Agency Fund				
Student Activities	0	500	0	0
Totals	<u>\$13,579</u>	<u>\$3,200</u>	<u>\$13,579</u>	<u>\$3,200</u>

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. 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 2001, the School District contracted for the following insurance coverage.

Coverage provided by Indiana Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$27,417,545
Inland Marine (\$250 deductible)	231,787

Coverage provided by Harcum-Hyre Insurance are as follows:

General Liability	
Per Occurrence	2,000,000
Per Year	5,000,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

For fiscal year 2001, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

The School District participates in the Mercer Auglaize Employee Benefit Trust (the Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and vision insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. CONTRACTUAL COMMITMENTS

At June 30, 2001, the School District had the following significant contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Contract Remaining Amount</u>
Sollmann Electric Co.	Cafeteria Renovations	\$93,560
Miami & Erie Contractors	High School Renovations	219,618
Ohio Plumbing and Electrical, Inc.	Cafeteria Renovations	29,656
Lippincot Plumbing and Heating	Cafeteria Renovations	129,831
Fanny/Howey Associates	Cafeteria Renovations	14,219
West Roofing System	Cafeteria Renovations	10,280
Bushong Restaurant	Cafeteria Renovations	56,007
Home Idea	Cafeteria Renovations	26,532
Koesters Electric, Inc.	High School Renovations	21,683
Farnham Equipment Co.	High School Renovations	11,203

15. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation 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 contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$261,592, \$155,198, and \$139,534, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$45,348, is recorded as a liability within the respective funds.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North 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 an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$35,354, \$38,269, and \$46,377, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$17,816, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

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

16. 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 classified 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$123,912.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more 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.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$97,207 for fiscal year 2001.

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

17. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred forty days for eligible personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit plus an additional one and one-half days for each year over twenty years of service in the Fort Recovery Local School District to a maximum of fifty-five days.

B. Health Care Benefits

The School District provides medical, dental, and vision insurance to employees through the Mercer Auglaize Employee Benefit Trust. The premium varies with each employee depending on marital and family status. The School District provides life insurance to employees through CoreSource.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. OTHER EMPLOYEE BENEFITS (Continued)

C. Supplemental Severance Payment for Retirement at Initial Eligibility

The special termination benefit is available to all retiring certified employees who have completed at least ten years or its equivalent of regular, full-time employment with the School District or pro-rated for part-time certified employees in proportion to their current percentage of a full-time contract. The employee must provide written verification of their retirement date and their intent to retire, to the Board of Education, by April 1, and retire no later than the start of the succeeding fiscal year. The termination benefit shall equal forty days of additional severance pay, with payment made during the first pay period in January following retirement. Failure to accept the termination benefit in their first year of retirement eligibility will make the employee ineligible to receive the benefit during any subsequent year. For the fiscal year ended June 30, 2001, the School District did not have a liability for special termination benefits.

18. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
<u>General Long-Term Obligations</u>					
General Obligation Bonds					
1998 School Improvement					
Serial and Term Bonds	3.75 - 4.9%	\$3,005,000	\$0	\$100,000	\$2,905,000
Capital Appreciation Bonds	7.5%	289,740	14,213	0	303,953
1996 Permanent Improvement Notes	4.25%	80,000	0	80,000	0
1991 Energy Conservation Notes	4.08%	19,624	0	19,624	0
1989 Asbestos Removal Loan	0%	48,721	0	5,732	42,989
1986 Asbestos Removal Loan	0%	48,093	0	8,744	39,349
Total General Obligation Debt		<u>3,491,178</u>	<u>14,213</u>	<u>214,100</u>	<u>3,291,291</u>
Compensated Absences Payable		350,203	28,865	0	380,068
Intergovernmental Payable		38,385	41,214	38,385	41,214
Total General Long-Term Obligations		<u>\$3,879,766</u>	<u>\$85,292</u>	<u>\$252,485</u>	<u>\$3,712,573</u>

1998 School Improvement General Obligation Bonds - On August 1, 1998, the School District issued \$3,389,193 in voted general obligation bonds for the acquisition, construction, and improvement to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,705,000, \$1,500,000, and \$265,339, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

<u>Year</u>	<u>Amount</u>
2014	\$190,000
2015	195,000
2016	205,000
2017	215,000
2018	225,000
2019	235,000

Unless previously redeemed, the remaining principal amount of \$235,000 will mature at stated maturity (December 1, 2020).

The term bonds maturing on or after December 1, 2009, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2008, at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date as follows:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2008 through November 30, 2009	101%
December 1, 2009 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$525,000. For fiscal year 2001, \$14,213 was accreted for total bond value of \$303,953.

1996 Permanent Improvement Notes - On January 1, 1996, the School District issued \$360,000 in unvoted general obligation notes for building improvements. The notes were fully retired during fiscal year 2001.

1991 Energy Conservation Notes - On January 3, 1991, the School District issued unvoted general obligation notes for providing energy conservation measures for the School District. The notes were fully retired during fiscal year 2001.

1989 Asbestos Removal Loan - On June 2, 1989, the School District obtained an interest free loan for asbestos removal. The loan was issued for a twenty year period, with final maturity during fiscal year 2009. The loan is being retired from the Bond Retirement debt service fund.

1986 Asbestos Removal Loan - On August 13, 1986, the School District obtained an interest free loan for asbestos removal. The loan was issued for a twenty year period, with final maturity during fiscal year 2006. The loan is being retired from the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

The School District's overall debt margin was \$3,201,115 with an unvoted debt margin of \$68,564 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>	<u>1989 EPA Asbestos Loan</u>	<u>1986 EPA Asbestos Loan</u>
2002	\$232,323	\$5,732	\$8,744
2003	233,145	5,732	8,744
2004	238,606	5,732	8,744
2005	268,033	5,732	8,744
2006	251,855	5,732	4,373
2007 - 2011	1,254,338	14,329	0
2012 - 2016	1,463,758	0	0
2017 - 2021	1,050,508	0	0
	<u>\$4,992,566</u>	<u>\$42,989</u>	<u>\$39,349</u>

In fiscal year 1997, the School District was awarded \$16,145,140 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds provided by the State Classroom Facilities Commission, in excess of construction costs, shall be returned to the Commission. Any funds remaining from the issuance of the bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

19. SET ASIDE REQUIREMENTS

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. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. SET ASIDE REQUIREMENTS (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	(\$29,610)	\$0	\$76,677
Current Year Set Aside Requirement	120,033	120,033	0
Legislative Reduction	0	0	(59,145)
Current Year Offsets	0	(30,693)	0
Qualifying Expenditures	(272,975)	(150,770)	0
Amount Carried Forward to Fiscal Year 2002	<u>(\$182,552)</u>	<u>(\$61,430)</u>	<u>\$17,532</u>
Set Aside Reserve Balance June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$17,532</u>

The School District had qualifying expenditures during the year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirements of future years. The total reserve balance for set asides at the end of the fiscal year was \$17,532.

20. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, adult education, and preschool. The table below reflects the more significant financial data relating to the enterprise funds of the Fort Recovery Local School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Preschool</u>	<u>Total</u>
Operating Revenues	\$190,636	\$2,259	\$900	\$23,603	\$217,398
Depreciation Expense	15,473	0	0	876	16,349
Operating Income (Loss)	(113,659)	126	174	7,710	(105,649)
Federal Donated Commodities	\$25,204	\$0	\$0	\$0	\$25,204
Operating Grants	39,473	0	0	0	39,473
Net Income (Loss)	(51,855)	126	174	5,142	(46,413)
Current Capital Contributions	110,500	0	0	0	110,500
Fixed Asset Additions	124,773	0	0	3,814	128,587
Fixed Asset Reductions	40,152	0	0	4,413	44,565
Net Working Capital	38,756	3,527	309	47,181	89,773
Total Assets	347,901	3,527	338	59,869	411,635
Total Equity	301,898	3,527	309	53,027	358,761
Encumbrances Outstanding at Year End (Budget Basis)	29,639	0	2	5	29,646

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Mercer County Local Professional Development Committee

The School District is a participant in the Mercer County Local Professional Development Committee (the Committee), which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, one superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

22. INSURANCE POOLS

A. NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. INSURANCE POOLS (Continued)

B. Mercer Auglaize Employee Benefit Trust

The Mercer Auglaize Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

23. RELATED ORGANIZATION

Fort Recovery Public Library

The Fort Recovery Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Fort Recovery Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fort Recovery Public Library, Marcia Staugler, Clerk/Treasurer, 113 North Wayne Street, Fort Recovery, Ohio 45846.

24. CONTINGENT LIABILITIES

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, 2001.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

25. STATE SCHOOL FUNDING DECISION

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

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

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

25. STATE SCHOOL FUNDING DECISION (Continued)

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of November 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Project Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$26,440		\$25,204
National School Lunch Program	048595-03-PU-01	10.555	\$38,460		\$38,460	
Total U.S. Department of Agriculture			38,460	26,440	38,460	25,204
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Goals 2000 - State and Local Education Systematic Improvement Grants						
Networking for Systematic Improvement	048595-G2-S2-99	84.276	33,875		59,749	
Family and School Partnership	048595-G2-S2-99	84.276			24	
	048595-G2-S8-00	84.276			868	
Total Family and School Partnership					892	
Total Goals 2000 - State and Local Education Systematic Improvement Grants			33,875		60,641	
Title I Grants to Local Educational Agencies	048595-C1-S1-01	84.010	44,741		48,966	
	048595-C1-S1-00	84.010			5,379	
Total Title I Grants to Local Educational Agencies			44,741		54,345	
Eisenhower Professional Development State Grant	048595-MS-S1-00	84.281			2,241	
	048595-MS-S1-01	84.281	2,849			
Total Eisenhower Professional Development State Grant			2,849		2,241	
Innovative Education Program Strategies	048595-C2-S1-01	84.298	2,022		570	
	048595-C2-S1-00	84.298	1,800		2,074	
Total Innovative Education Program Strategies			3,822		2,644	
Technology Literacy Challenge Fund Grants	048595-TF-43-01	84.318	25,000		22,303	
	048595-TF-42-01	84.318	49,795		49,795	
	048595-TF-41-00	84.318	74,602		74,602	
	048595-TF-S1-99	84.318			24,485	
	048595-TF-VM-00	84.318	4,658		4,658	
	048595-TF-VM-99	84.318	(674)			
Total Technology Literacy Challenge Fund Grants			153,381		175,843	
Class Size Reduction	048595-CR-S1-00	84.340			2,436	
	048595-CR-S1-01	84.340	10,495		8,966	
Total Class Size Reduction			10,495		11,402	
Safe and Drug-Free Schools and Communities - State Grant	048595-DR-S1-01	84.186	1,257		1,115	
<i>Passed Through Mercer County Educational Service Center</i>						
Safe and Drug-Free Schools and Communities - State Grant	048595-DR-S1-00	84.186	2,506		2,062	
Total Safe and Drug-Free Schools and Communities			3,763	0	3,177	0
Total U.S. Department of Education			252,926		310,293	
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$291,386</u>	<u>\$26,440</u>	<u>\$348,753</u>	<u>\$25,204</u>

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

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

NOTE A –SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -FOOD DISTRIBUTION

Nonmonetary assistance, 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, 2001, the District had \$4,150 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on the Schedule.



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

Ft. Recovery Local School District
Mercer County
207 South Gwendolyn Street
Ft. Recovery, Ohio 45846

To Board of Education:

We have audited the financial statements of the Ft. Recovery Local School District, Mercer County (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 30, 2001, wherein we noted the School District implemented Governmental Accounting Standards Board Statement Numbers 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated November 30, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 management of the School District in a separate letter dated November 30, 2001.

Ft. Recovery Local School District
Mercer County
Report on Compliance And on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

November 30, 2001



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

Ft. Recovery Local School District
Mercer County
207 South Gwendolyn Street
Ft. Recovery, Ohio 45846

To the Board of Education:

Compliance

We have audited the compliance of the Ft. Recovery Local School District, Mercer 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, 2001. 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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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, 2001.

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.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report that we have report to management of the School District in a separate letter dated November 30, 2001.

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

Jim Petro
Auditor of State

November 30, 2001

**FT. RECOVERY LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Technology Literacy Challenge Fund CFDA #84.318
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



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FORT RECOVERY LOCAL SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2001**