



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Franklin Monroe Local School District
Darke County
P. O. Box 78
8639 Oakes Road
Pittsburg, Ohio 45358-0078

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Franklin Monroe Local School District, Darke County, (the District), as of and for the years ended June 30, 2000 and June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Franklin Monroe Local School District, Darke County, as of June 30, 2000 and June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 21, 2000

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**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,424,694	\$112,457	\$60,746
Cash and Cash Equivalents with Fiscal Agents	0	22,693	0
Receivables:			
Property and Other Taxes	954,496	0	24,246
Income Taxes	164,781	0	0
Accounts	1,856	500	0
Intergovernmental	42,512	4,088	0
Accrued Interest	1,574	0	0
Prepaid Items	12,068	0	0
Inventory Held for Resale	0	0	0
Inventory of Supplies and Materials	21,282	0	0
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalents	82,685	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation	0	0	0
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0
Total Assets and Other Debits	\$2,705,948	\$139,738	\$84,992
 Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$49,451	\$81	\$0
Accrued Wages and Benefits Payable	429,982	17,431	0
Intergovernmental Payable	105,412	25,312	80
Due to Students	0	0	0
Deferred Revenue	841,382	400	21,145
Compensated Absences Payable	9,767	0	0
Total Liabilities	1,435,994	43,224	21,225
 Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	172,223	12,810	13,630
Reserved for Inventory of Supplies and Materials	21,282	0	0
Reserved for Property Taxes	126,001	0	3,101
Reserved for Budget Stabilization	52,613	0	0
Reserved for School Bus Purchases	30,072	0	0
Designated for Textbooks/Instructional Materials	55,062	0	0
Designated for Capital Improvements	53,774	0	0
Designated for Budget Stabilization	100	0	0
Unreserved, Undesignated	758,827	83,704	47,036
Total Fund Equity and Other Credits	1,269,954	96,514	63,767
 Total Liabilities, Fund Equity and Other Credits	\$2,705,948	\$139,738	\$84,992

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$26,740	\$25,596	\$0	\$0	\$1,650,233
0	0	0	0	22,693
0	0	0	0	978,742
0	0	0	0	164,781
330	0	0	0	2,686
0	0	0	0	46,600
0	0	0	0	1,574
0	0	0	0	12,068
3,362	0	0	0	3,362
1,168	0	0	0	22,450
0	0	0	0	82,685
12,918	0	2,854,291	0	2,867,209
0	0	0	376,119	376,119
<u>\$44,518</u>	<u>\$25,596</u>	<u>\$2,854,291</u>	<u>\$376,119</u>	<u>\$6,231,202</u>
\$0	\$0	\$0	\$0	\$49,532
12,401	0	0	0	459,814
6,125	0	0	32,663	169,592
0	25,596	0	0	25,596
2,112	0	0	0	865,039
3,748	0	0	343,456	356,971
<u>24,386</u>	<u>25,596</u>	<u>0</u>	<u>376,119</u>	<u>1,926,544</u>
0	0	2,854,291	0	2,854,291
6,100	0	0	0	6,100
14,032	0	0	0	14,032
0	0	0	0	198,663
0	0	0	0	21,282
0	0	0	0	129,102
0	0	0	0	52,613
0	0	0	0	30,072
0	0	0	0	55,062
0	0	0	0	53,774
0	0	0	0	100
0	0	0	0	889,567
<u>20,132</u>	<u>0</u>	<u>2,854,291</u>	<u>0</u>	<u>4,304,658</u>
<u>\$44,518</u>	<u>\$25,596</u>	<u>\$2,854,291</u>	<u>\$376,119</u>	<u>\$6,231,202</u>

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

	<u>Governmental Funds</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues:				
Property and Other Taxes	\$962,883	\$0	\$27,360	\$990,243
Income Taxes	450,641	0	0	450,641
Tuition and Fees	153,656	0	0	153,656
Interest	93,205	0	0	93,205
Intergovernmental	2,350,764	254,329	67,037	2,672,130
Rent	5,629	0	0	5,629
Extracurricular Activities	23,862	72,612	0	96,474
Gifts and Donations	4,438	17,420	0	21,858
Miscellaneous	0	1,383	0	1,383
Total Revenues	<u>4,045,078</u>	<u>345,744</u>	<u>94,397</u>	<u>4,485,219</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,582,614	111,543	0	1,694,157
Special	286,163	20,385	0	306,548
Vocational	116,648	0	0	116,648
Support Services:				
Pupils	128,135	32,424	0	160,559
Instructional Staff	379,825	36,973	61,365	478,163
Board of Education	19,820	0	0	19,820
Administration	397,827	3,720	0	401,547
Fiscal	110,421	805	535	111,761
Operation and Maintenance of Plant	344,218	1,188	17,072	362,478
Pupil Transportation	263,857	91	0	263,948
Central	15,416	725	0	16,141
Operation of Non-Instructional Services	4,246	0	0	4,246
Extracurricular Activities	119,011	167,963	0	286,974
Total Expenditures	<u>3,768,201</u>	<u>375,817</u>	<u>78,972</u>	<u>4,222,990</u>
Excess of Revenues Over (Under) Expenditures	<u>276,877</u>	<u>(30,073)</u>	<u>15,425</u>	<u>262,229</u>
Other Financing Sources (Uses):				
Operating Transfers In	0	2,699	0	2,699
Operating Transfers Out	(2,699)	0	0	(2,699)
Total Other Financing Sources (Uses)	<u>(2,699)</u>	<u>2,699</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	274,178	(27,374)	15,425	262,229
Fund Balances at Beginning of Year	1,022,914	123,888	48,342	1,195,144
Decrease in Reserve for Inventory	(27,138)	0	0	(27,138)
Fund Balances at End of Year	<u>\$1,269,954</u>	<u>\$96,514</u>	<u>\$63,767</u>	<u>\$1,430,235</u>

See Accompanying Notes to the General Purpose Financial Statements

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**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE 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, 2000**

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property and Other Taxes	\$912,686	\$912,686	\$0
Income Taxes	430,000	435,795	5,795
Tuition and Fees	165,250	169,846	4,596
Interest	87,500	93,276	5,776
Intergovernmental	2,335,831	2,353,604	17,773
Rent	1,500	855	(645)
Extracurricular Activities	23,500	23,862	362
Gifts and Donations	2,073	4,438	2,365
Miscellaneous	0	140	140
Total Revenues	<u>3,958,340</u>	<u>3,994,502</u>	<u>36,162</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,656,679	1,605,751	50,928
Special	341,617	312,491	29,126
Vocational	126,181	121,179	5,002
Other	6,000	6,000	0
Support Services:			
Pupils	136,577	125,816	10,761
Instructional Staff	387,051	383,021	4,030
Board of Education	29,750	28,114	1,636
Administration	423,570	399,499	24,071
Fiscal	119,956	117,886	2,070
Operation and Maintenance of Plant	382,815	366,822	15,993
Pupil Transportation	336,760	334,922	1,838
Central	22,615	21,352	1,263
Operation of Non-Instructional Services	4,500	4,246	254
Extracurricular Activities	124,807	119,773	5,034
Total Expenditures	<u>4,098,878</u>	<u>3,946,872</u>	<u>152,006</u>
Excess of Revenues Over (Under) Expenditure:	<u>(140,538)</u>	<u>47,630</u>	<u>188,168</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	15,216	16,982	1,766
Refund of Prior Year Receipts	(30,217)	(30,217)	0
Advances In	10,484	10,484	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(2,699)	(2,699)	0
Total Other Financing Sources (Uses)	<u>(7,216)</u>	<u>(5,450)</u>	<u>1,766</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(147,754)	42,180	189,934
Fund Balances at Beginning of Year	963,330	963,330	0
Prior Year Encumbrances Appropriated	263,107	263,107	0
Fund Balances at End of Year	<u>\$1,078,683</u>	<u>\$1,268,617</u>	<u>\$189,934</u>

See Accompanying Notes to the General Purpose Financial Statements

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$24,000	\$24,427	\$427
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
262,907	264,514	1,607	51,475	74,121	22,646
0	0	0	0	0	0
67,800	72,512	4,712	0	0	0
17,400	17,420	20	0	0	0
2,500	1,383	(1,117)	0	0	0
<u>350,607</u>	<u>355,829</u>	<u>5,222</u>	<u>75,475</u>	<u>98,548</u>	<u>23,073</u>
128,724	116,161	12,563	1	0	1
21,095	20,121	974	0	0	0
0	0	0	0	0	0
0	0	0			
34,388	32,724	1,664	0	0	0
36,973	36,973	0	77,570	61,285	16,285
0	0	0	0	0	0
4,000	3,720	280	0	0	0
1,350	805	545	570	535	35
1,188	1,188	0	32,250	30,702	1,548
0	0	0	0	0	0
2,600	2,475	125	0	0	0
0	0	0	0	0	0
175,139	172,126	3,013	0	0	0
<u>405,457</u>	<u>386,293</u>	<u>19,164</u>	<u>110,391</u>	<u>92,522</u>	<u>17,869</u>
<u>(54,850)</u>	<u>(30,464)</u>	<u>24,386</u>	<u>(34,916)</u>	<u>6,026</u>	<u>40,942</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(3,399)	(3,399)	0	(7,085)	(7,085)	0
2,699	2,699	0	0	0	0
0	0	0	0	0	0
<u>(700)</u>	<u>(700)</u>	<u>0</u>	<u>(7,085)</u>	<u>(7,085)</u>	<u>0</u>
(55,550)	(31,164)	24,386	(42,001)	(1,059)	40,942
63,146	63,146	0	44,868	44,868	0
44,447	44,447	0	3,307	3,307	0
<u>\$52,043</u>	<u>\$76,429</u>	<u>\$24,386</u>	<u>\$6,174</u>	<u>\$47,116</u>	<u>\$40,942</u>

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Operating Revenues:	
Sales	\$109,369
Total Operating Revenues	<u>109,369</u>
Operating Expenses:	
Salaries	63,713
Fringe Benefits	14,356
Purchased Services	5,224
Supplies and Materials	7,089
Cost of Sales	49,992
Depreciation	1,893
Total Operating Expenses	<u>142,267</u>
Operating Loss	<u>(32,898)</u>
Non-Operating Revenues:	
Federal and State Subsidies	27,039
Interest	856
Federal Donated Commodities	3,026
Total Non-Operating Revenues	<u>30,921</u>
Net Loss	(1,977)
Retained Earnings at Beginning of Year	<u>16,009</u>
Retained Earnings at End of Year	<u>14,032</u>
Contributed Capital at Beginning of Year	1,600
Contributions from Governmental Fund	<u>4,500</u>
Contributed Capital at End of Year	<u>6,100</u>
Total Fund Equity at End of Year	<u><u>\$20,132</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$107,000	\$108,981	\$1,981
Federal and State Subsidies	29,500	30,507	1,007
Interest	0	856	856
Total Revenues	<u>136,500</u>	<u>140,344</u>	<u>3,844</u>
Expenses:			
Salaries	63,979	63,977	2
Fringe Benefits	17,486	14,440	3,046
Purchased Services	7,419	5,788	1,631
Supplies and Materials	67,448	58,754	8,694
Total Expenses	<u>156,332</u>	<u>142,959</u>	<u>13,373</u>
Excess of Revenues Under Expenses	(19,832)	(2,615)	17,217
Fund Equity at Beginning of Year	23,635	23,635	0
Prior Year Encumbrances Appropriated	1,159	1,159	0
Fund Equity at End of Year	<u>\$4,962</u>	<u>\$22,179</u>	<u>\$17,217</u>

See Accompanying Notes to the General Purpose Financial Statements

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:	
Cash Received from Customers	\$109,040
Cash Payments for Employee Services and Benefits	(78,405)
Cash Payments to Suppliers for Goods and Services	(59,993)
Net Cash Used For Operating Activities	<u>(29,358)</u>
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	30,507
Net Cash Provided By Noncapital Financing Activities	<u>30,507</u>
Cash Flows from Investing Activities:	
Interest	856
Net Cash Provided by Investing Activities	<u>856</u>
Net Increase in Cash and Cash Equivalents	2,005
Cash and Cash Equivalents Beginning of Year	<u>24,735</u>
Cash and Cash Equivalents End of Year	<u><u>\$26,740</u></u>

**Reconciliation of Operating Loss to Net
Cash Used For Operating Activities:**

Operating Loss	(\$32,898)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:	
Depreciation	1,893
Donated Commodities Received	3,026
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(330)
Increase in Inventory Held for Resale	(509)
Increase in Inventory of Supplies and Materials	(205)
Decrease in Accrued Wages and Benefits Payable	(441)
Decrease in Intergovernmental Payable	(67)
Increase in Compensated Absences Payable	173
Net Cash Used For Operating Activities	<u><u>(\$29,358)</u></u>

Non-Cash Transaction:

During fiscal year 2000, the General Fund purchased assets in the amount of \$4,500 on behalf of the Food Service Enterprise Fund.

See Accompanying Notes to the General Purpose Financial Statements

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1959 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 60 square miles. It is located in Darke County, and includes all of the Village of Pittsburg and portions of Franklin, Monroe, and Van Buren Townships. It is staffed by 28 non-certificated employees, 47 certificated full-time teaching personnel and 4 administrative employees who provide services to 708 students and other community members. The School District currently operates 2 instructional buildings.

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

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

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Village of Pittsburg The village government of Pittsburg is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING Entity (Continued)

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 16 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The 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.

Capital Projects Funds

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

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

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

3. Fiduciary Fund Type:

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 only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, other than those accounted for in the 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 the 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.

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

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, tuition, grants, student fees, and interest.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Accounts and intergovernmental receivables, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Data

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

All funds, other than the agency fund, are legally required to be budgeted and appropriated. A portion of the title III, title VI-B, and title VI-B early childhood special revenue funds' grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 Darke County Budget Commission for rate determination.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

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. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; some of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the title III, title VI-B, and title VI-B early childhood special revenue funds, and the agency fund, 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 and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. 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 balance sheet. The balance of the grant activity administered by the fiscal agent is presented on the balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits of the Darke County Educational Service Center.

During fiscal year 2000, investments were limited to STAR Ohio and certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$93,205, which includes \$12,477 assigned from other School District funds. The enterprise funds also received interest in the amount of \$856 during fiscal year 2000.

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.

E. Inventory

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Title VI-B Early Childhood
- Career Education Project
- Professional Development
- Textbook Subsidy
- Vocational Education
- School Net Professional Development
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Title III
- Continuous Improvement
- Ohio Reads
- Summer Intervention
- Safe School Help Line
- Title VI-R

Capital Projects Funds

- School Net
- School Net Plus
- Technology Equity
- Video Distance Learning

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Fund

- E-Rate

Capital Projects Fund

- Emergency Repair Grant

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 60 percent of governmental fund revenue during the 2000 fiscal year.

I. Fund Designations

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Designations represent set-asides which exceed the statutory required amount.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fifteen years of service credit and at least two years of employment with the District.

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

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 pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have been paid using current available financial resources.

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

L. 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.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization and for school bus purchases.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

O. Fund Balance Reserves

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

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

P. Contributed Capital

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

Q. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

At June 30, 2000, the Title I and Continuous Improvement special revenue funds had deficit fund balances of \$6,201 and \$1,675, respectively. The deficits were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All 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 proprietary fund type (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes (GAAP basis).

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$274,178	(\$27,374)	\$15,425
Revenue Accruals	(33,594)	(20,894)	4,151
Expenditure Accruals	30,067	57,986	80
Prepaid Items	(193)	0	0
Non-Budgeted Activity	0	(1,455)	0
Advances	10,484	(3,399)	(7,085)
Encumbrances	(238,762)	(36,028)	(13,630)
Budget Basis	\$42,180	(\$31,164)	(\$1,059)

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses All Enterprise Funds	
GAAP Basis	(\$1,977)
Revenue Accruals	3,021
Expense Accruals	(1,764)
Inventory of Supplies and Materials	205
Inventory Held for Resale	509
Unrecorded Cash	59
Depreciation Expense	1,893
Encumbrances	(4,561)
Budget Basis	<u><u>(\$2,615)</u></u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

State Statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of tax exempt notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The grant money that is held by the Darke County Educational Service Center of \$22,693 and is shown on the balance sheet as "cash and cash equivalents with fiscal agents" is not classified below. Information on the classification of these monies can be obtained through the Darke County Educational Service Center.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$881,858 and the bank balance was \$934,841. Of the bank balance, \$384,841 was covered by federal depository insurance and \$550,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. It is an unclassified investment with a carrying value and market value of \$851,060.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$1,755,611	\$0
Less: Cash with Fiscal Agent	(22,693)	0
Investment: STAR Ohio	(851,060)	851,060
GASB Statement 3	\$881,858	\$851,060

6. PROPERTY TAXES

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

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

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

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

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$126,001 in the general fund and \$3,101 in the permanent improvement capital projects fund.

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

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$39,019,150	91.13%	\$48,351,010	93.12%
Personal Property - Public Utility	2,724,420	6.36%	2,498,860	4.81%
Tangible Personal Property	1,075,300	2.51%	1,072,100	2.07%
Total Assessed Value	\$42,818,870	100.00%	\$51,921,970	100.00%
Tax rate per \$1,000 of assessed valuation	\$34.73		\$34.73	

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, 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.

8. RECEIVABLES

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

A summary of the principal items of intergovernmental receivable follows:

	Amount
General Fund:	
SBH Costs	\$15,779
MH Refunds	5,388
Mileage Reimbursement	49
Drivers' Education Reimbursement	1,000
Transportation Reimbursement	12,773
Refund from Montgomery County ESC	2,850
SF 14 Tuition	3,924
School-to-Work Reimbursement	749
Total General Fund	42,512
Special Revenue Fund:	
E-Rate	4,088
Total Intergovernmental Receivables	\$46,600

9. FIXED ASSETS

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

Furniture and Equipment	40,359
Less Accumulated Depreciation	(27,441)
Net Fixed Assets	\$12,918

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. FIXED ASSETS (Continued)

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

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$28,955	\$128,900	\$0	\$157,855
Buildings and Improvements	1,654,790	12,490	0	1,667,280
Furniture, Fixtures and Equipment	587,663	70,232	12,103	645,792
Vehicles	333,189	50,175	0	383,364
Total General Fixed Assets	<u>\$2,604,597</u>	<u>\$261,797</u>	<u>\$12,103</u>	<u>\$2,854,291</u>

There was no significant construction in progress at June 30, 2000.

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with R.J. Warner for property, fleet, and burglary insurance. Liability insurance was covered by Nationwide Insurance Company.

Coverages were as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$6,906,476
Inland Marine Coverage (No deductible)	41,030
Boiler and Machinery (\$500 deductible)	500,000
Crime Insurance	4,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the in the group plan. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school Districts in the group. Each participant pays its workers' compensation premium to the State based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the group. A participant will then either receive money from or be required to contributed to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the group. Participation in the group is limited to school districts that can meet the group's selection criteria. The firm of CompManagement Incorporated provides administrative, cost control, and actuarial services to the group.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$25,146, \$39,249, and \$73,647, respectively; 39 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$15,239 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$125,463, \$103,561, and \$287,779, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$21,259 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, 2 members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The three remaining Board members contribute to SERS.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$167,283 for fiscal year 2000.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$45,212.

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

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, employees with fifteen years of service credit and two years employment with the School District receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 56.25 days for classified employees and 56.25 days for certified employees.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. OTHER EMPLOYEE BENEFITS

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. The School District provides health care benefits to both classified and certified employees through Anthem Insurance Company. The School District provides a flexible spending plan through American Fidelity Assurance.

14. LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
Intergovernmental Payable	\$30,640	\$32,663	\$30,640	\$32,663
Compensated Absences	313,404	30,052	0	343,456
Total General Long-Term Obligations	<u>\$344,044</u>	<u>\$62,715</u>	<u>\$30,640</u>	<u>\$376,119</u>

Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$4,672,977, the energy conservation debt margin was \$467,298, with an unvoted debt margin of \$51,922 at June 30, 2000.

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$109,369	\$0	\$109,369
Depreciation Expense	1,893	0	1,893
Operating Loss	(27,548)	(5,350)	(32,898)
Federal and State Subsidies	27,039	0	27,039
Interest	856	0	856
Federal Donated Commodities	3,026	0	3,026
Net Income (Loss)	3,373	(5,350)	(1,977)
Net Working Capital	\$11,659	\$3,984	\$15,643
Total Assets	40,534	3,984	44,518
Long-Term Portion			
Intergovernmental Payable	4,681	0	4,681
Long-Term Portion			
Compensated Absences	3,748	0	3,748
Current Contributed Capital	4,500	0	4,500
Total Equity	16,148	3,984	20,132
Encumbrances Outstanding at June 30, 2000	577	3,984	4,561

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is a association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$13,967 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2000, Franklin Monroe Local School District paid \$3,533 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2000, the School District paid \$983 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

17. SET-ASIDE CALCULATIONS

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$40,272	\$40,272
Current Year Set-aside Requirement	80,800	80,800	12,341	173,941
Current Year Offsets	0	(24,427)	0	(24,427)
Qualifying Disbursements	(93,668)	(56,373)	0	(150,041)
Total	<u>(\$12,868)</u>	<u>0</u>	<u>\$52,613</u>	<u>\$39,745</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$52,613</u>	<u>\$52,613</u>
Amount restricted for bus purchases				30,072
Total Restricted Assets				<u>\$82,685</u>

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

17. SET-ASIDE CALCULATIONS (Continued)

Amounts of offsets and qualifying disbursements for capital improvements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the fiscal year, and these extra amounts may be used to reduce the set-aside requirements of future years, the School District has decided to not carry over such negative balances to the next fiscal year. The School District had qualifying disbursements during the fiscal year that reduced the textbooks/instructional materials set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the budget stabilization set-aside at the end of the fiscal year was \$52,613.

18. SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,808,237 of school foundation support for its General Fund.

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

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

19. CONTINGENCIES

A. Grants

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

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Miami Valley International	School Bus Chassis	\$35,250
Cardinal Bus Sales and Service	School Bus Body	18,827
Old Liberty Flooring	Sanding Gym Floor and Painting	13,490
Arcon Builders Limited	Demolish and Refurnish Offices	7,000
Weavers	Re-key High School Building	13,500
Toshiba	Copy Machine	6,600

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,128,224	\$107,593	\$48,175
Cash and Cash Equivalents with Fiscal Agents	0	21,952	0
Receivables:			
Property and Other Taxes	857,777	0	24,259
Income Taxes	149,935	0	0
Accounts	2,443	0	0
Intergovernmental	35,745	15,728	7,084
Accrued Interest	1,602	0	0
Interfund	10,484	0	0
Prepaid Items	12,261	0	0
Inventory Held for Resale	0	0	0
Inventory of Supplies and Materials	48,421	0	0
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	98,256	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation	0	0	0
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0
Total Assets and Other Debits	\$2,345,148	\$145,273	\$79,518
 Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$22,939	\$1,966	\$0
Accrued Wages and Benefits Payable	407,493	13,758	0
Intergovernmental Payable	68,609	1,547	0
Interfund Payable	0	3,399	7,085
Due to Students	0	0	0
Deferred Revenue	814,002	0	24,091
Compensated Absences Payable	9,191	0	0
Total Liabilities	1,322,234	20,670	31,176
 Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	241,643	42,552	3,307
Reserved for Inventory	48,421	0	0
Reserved for Property Taxes	70,676	0	4
Reserved for Budget Stabilization	40,272	0	0
Reserved for School Bus Purchases	57,984	0	0
Undesignated	563,918	82,051	45,031
Total Fund Equity and Other Credits	1,022,914	124,603	48,342
 Total Liabilities, Fund Equity and Other Credits	\$2,345,148	\$145,273	\$79,518

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$24,735	\$17,840	\$0	\$0	\$1,326,567
0	0	0	0	21,952
0	0	0	0	882,036
0	0	0	0	149,935
0	0	0	0	2,443
3,468	0	0	0	62,025
0	0	0	0	1,602
0	0	0	0	10,484
0	0	0	0	12,261
741	0	0	0	741
963	0	0	0	49,384
0	0	0	0	98,256
10,311	0	2,604,597	0	2,614,908
0	0	0	344,044	344,044
<u>\$40,218</u>	<u>\$17,840</u>	<u>\$2,604,597</u>	<u>\$344,044</u>	<u>\$5,576,638</u>
\$0	\$0	\$0	\$0	\$24,905
12,842	0	0	0	434,093
6,192	0	0	30,640	106,988
0	0	0	0	10,484
0	17,840	0	0	17,840
0	0	0	0	838,093
3,575	0	0	313,404	326,170
<u>22,609</u>	<u>17,840</u>	<u>0</u>	<u>344,044</u>	<u>1,758,573</u>
0	0	2,604,597	0	2,604,597
1,600	0	0	0	1,600
16,009	0	0	0	16,009
0	0	0	0	287,502
0	0	0	0	48,421
0	0	0	0	70,680
0	0	0	0	40,272
				57,984
0	0	0	0	691,000
<u>17,609</u>	<u>0</u>	<u>2,604,597</u>	<u>0</u>	<u>3,818,065</u>
<u>\$40,218</u>	<u>\$17,840</u>	<u>\$2,604,597</u>	<u>\$344,044</u>	<u>\$5,576,638</u>

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Governmental Funds</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues:				
Property and Other Taxes	\$848,915	\$0	\$22,312	\$871,227
Income Taxes	433,748	0	0	433,748
Tuition and Fees	170,100	0	0	170,100
Interest	82,328	0	0	82,328
Intergovernmental	2,187,908	194,387	48,522	2,430,817
Rent	1,298	0	0	1,298
Extracurricular Activities	21,052	68,152	0	89,204
Gifts and Donations	11,483	61,160	0	72,643
Miscellaneous	1,335	730	0	2,065
Total Revenues	<u>3,758,167</u>	<u>324,429</u>	<u>70,834</u>	<u>4,153,430</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,574,102	94,000	0	1,668,102
Special	309,090	22,498	0	331,588
Vocational	106,812	489	0	107,301
Support Services:				
Pupils	102,206	61,754	0	163,960
Instructional Staff	331,708	8,099	60,832	400,639
Board of Education	28,680	0	0	28,680
Administration	382,833	0	0	382,833
Fiscal	144,022	4,722	755	149,499
Operation and Maintenance of Plant	350,712	0	264,038	614,750
Pupil Transportation	205,689	0	0	205,689
Central	13,186	0	0	13,186
Operation of Non-Instructional Services	0	250	0	250
Extracurricular Activities	91,079	80,424	0	171,503
Total Expenditures	<u>3,640,119</u>	<u>272,236</u>	<u>325,625</u>	<u>4,237,980</u>
Excess of Revenues Over (Under) Expenditures	<u>118,048</u>	<u>52,193</u>	<u>(254,791)</u>	<u>(84,550)</u>
Other Financing Sources (Uses):				
Operating Transfers In	0	2,800	0	2,800
Operating Transfers Out	(2,800)	0	0	(2,800)
Total Other Financing Sources (Uses)	<u>(2,800)</u>	<u>2,800</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	115,248	54,993	(254,791)	(84,550)
Fund Balances at Beginning of Year - Restated (Note 3)	881,012	69,610	303,133	1,253,755
Increase in Reserve for Inventory	26,654	0	0	26,654
Fund Balances at End of Year	<u>\$1,022,914</u>	<u>\$124,603</u>	<u>\$48,342</u>	<u>\$1,195,859</u>

See Accompanying Notes to the General Purpose Financial Statements

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**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE 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, 1999**

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property and Other Taxes	\$858,122	\$853,559	(\$4,563)
Income Taxes	429,772	429,772	0
Tuition and Fees	201,685	209,972	8,287
Interest	81,315	86,264	4,949
Intergovernmental	2,184,862	2,186,217	1,355
Rent	1,200	1,298	98
Extracurricular Activities	20,600	21,027	427
Gifts and Donations	10,200	11,483	1,283
Miscellaneous	0	0	0
Total Revenues	<u>3,787,756</u>	<u>3,799,592</u>	<u>11,836</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,605,849	1,588,004	17,845
Special	399,596	377,392	22,204
Vocational	119,177	117,932	1,245
Support Services:			
Pupils	109,757	104,967	4,790
Instructional Staff	341,597	330,252	11,345
Board of Education	31,134	30,718	416
Administration	394,690	388,443	6,247
Fiscal	148,949	145,781	3,168
Operation and Maintenance of Plant	383,238	378,736	4,502
Pupil Transportation	277,430	268,144	9,286
Central	15,309	13,815	1,494
Operation of Non-Instructional Services	0	0	0
Extracurricular	184,237	180,352	3,885
Total Expenditures	<u>4,010,963</u>	<u>3,924,536</u>	<u>86,427</u>
Excess of Revenues			
Under Expenditures	<u>(223,207)</u>	<u>(124,944)</u>	<u>98,263</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	250	250	0
Advances In	0	0	0
Advances Out	(7,785)	(7,785)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(3,000)	(2,800)	200
Total Other Financing Sources (Uses)	<u>(10,535)</u>	<u>(10,335)</u>	<u>200</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(233,742)	(135,279)	98,463
Fund Balances at Beginning of Year	981,827	981,827	0
Prior Year Encumbrances Appropriated	116,781	116,781	0
Fund Balances at End of Year	<u>\$864,866</u>	<u>\$963,329</u>	<u>\$98,463</u>

See Accompanying Notes to the General Purpose Financial Statements

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$24,700	\$24,727	\$27
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
122,817	123,028	211	48,536	41,438	(7,098)
0	0	0	0	0	0
68,636	68,152	(484)	0	0	0
59,940	61,160	1,220	0	0	0
0	730	730	0	0	0
<u>251,393</u>	<u>253,070</u>	<u>1,677</u>	<u>73,236</u>	<u>66,165</u>	<u>(7,071)</u>
128,294	99,023	29,271	9	0	9
20,647	20,484	163	0	0	0
489	489	0	0	0	0
26,935	26,922	13	0	0	0
9,498	4,660	4,838	64,827	63,139	1,688
0	0	0	0	0	0
0	0	0	0	0	0
4,790	4,722	68	1,300	755	545
0	0	0	293,893	287,139	6,754
0	0	0	0	0	0
0	0	0	0	0	0
920	250	670	0	0	0
131,995	121,557	10,438	0	0	0
<u>323,568</u>	<u>278,107</u>	<u>45,461</u>	<u>360,029</u>	<u>351,033</u>	<u>8,996</u>
<u>(72,175)</u>	<u>(25,037)</u>	<u>47,138</u>	<u>(286,793)</u>	<u>(284,868)</u>	<u>1,925</u>
0	0	0	0	0	0
0	700	700	0	7,085	7,085
0	0	0	0	0	0
3,500	2,800	(700)	0	0	0
0	0	0	0	0	0
<u>3,500</u>	<u>3,500</u>	<u>0</u>	<u>0</u>	<u>7,085</u>	<u>7,085</u>
(68,675)	(21,537)	47,138	(286,793)	(277,783)	9,010
78,973	78,973	0	322,652	322,652	0
5,710	5,710	0	0	0	0
<u>\$16,008</u>	<u>\$63,146</u>	<u>\$47,138</u>	<u>\$35,859</u>	<u>\$44,869</u>	<u>\$9,010</u>

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
Operating Revenues:	
Sales	\$98,602
Total Operating Revenues	98,602
Operating Expenses:	
Salaries	61,025
Fringe Benefits	15,804
Purchased Services	4,218
Supplies and Materials	3,667
Cost of Sales	50,268
Depreciation	628
Total Operating Expenses	135,610
Operating Loss	(37,008)
Non-Operating Revenues:	
Federal and State Subsidies	29,301
Interest	151
Federal Donated Commodities	4,539
Total Non-Operating Revenues	33,991
Net Loss	(3,017)
Retained Earnings at Beginning of Year - Restated (Note 3)	19,026
Retained Earnings at End of Year	16,009
Contributed Capital at Beginning of Year	0
Contributions from Governmental Fund	1,600
Contributed Capital at End of Year	1,600
Total Fund Equity at End of Year	\$17,609

See Accompanying Notes to the General Purpose Financial Statements

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$97,982	\$98,660	\$678
Federal and State Subsidies	26,226	25,833	(393)
Interest	0	151	151
Total Revenues	<u>124,208</u>	<u>124,644</u>	<u>436</u>
Expenses:			
Salaries	64,730	59,912	4,818
Fringe Benefits	18,407	17,302	1,105
Purchased Services	7,741	4,238	3,503
Supplies and Materials	74,639	50,580	24,059
Capital Outlay	3,625	3,362	263
Total Expenses	<u>169,142</u>	<u>135,394</u>	<u>33,748</u>
Excess of Revenues Under Expenses	(44,934)	(10,750)	34,184
Fund Equity at Beginning of Year	22,924	22,924	0
Prior Year Encumbrances Appropriated	<u>11,459</u>	<u>11,459</u>	<u>0</u>
Fund Equity (Deficit) at End of Year	<u>(\$10,551)</u>	<u>\$23,633</u>	<u>\$34,184</u>

See Accompanying Notes to the General Purpose Financial Statements

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$98,602
Cash Payments for Employee Services and Benefits	(76,857)
Cash Payments to Suppliers for Goods and Services	<u>(51,153)</u>
Net Cash Used In Operating Activities	<u>(29,408)</u>
 Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	<u>25,833</u>
Net Cash Provided By Noncapital Financing Activities	<u>25,833</u>
 Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(6,224)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(6,224)</u>
 Cash Flows from Investing Activities:	
Interest	<u>151</u>
Net Cash Provided by Investing Activities	<u>151</u>
 Net Decrease in Cash and Cash Equivalents	(9,648)
 Cash and Cash Equivalents Beginning of Year	<u>34,383</u>
 Cash and Cash Equivalents End of Year	<u><u>\$24,735</u></u>
 <u>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</u>	
Operating Loss	(\$37,008)
 Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	628
Donated Commodities Received	4,539
Changes in Assets and Liabilities:	
Decrease in Supplies and Materials Inventory	782
Decrease in Inventory Held for Resale	1,679
Increase in Accrued Salaries Payable	559
Decrease in Intergovernmental Payable	(2,610)
Increase in Compensated Absences Payable	<u>2,023</u>
Net Cash Used In Operating Activities	<u><u>(\$29,408)</u></u>

Non-Cash Transaction:

During fiscal year 1999, the General Fund purchased an asset for the amount \$1,600 on behalf of the Food Service Enterprise Fund.

See Accompanying Notes to the General Purpose Financial Statements

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1959 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 60 square miles. It is located in Darke County, and includes all of the Village of Pittsburg and portions of Franklin, Monroe, and Van Buren Townships. It is staffed by 28 non-certificated employees, 50 certificated full-time teaching personnel and 4 administrative employees who provide services to 711 students and other community members. The School District currently operates 2 instructional buildings.

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

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

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Village of Pittsburg The village government of Pittsburg is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 17 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Projects Funds

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund Type:

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 only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does 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, other than those accounted for in the 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 the 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.

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, tuition, grants, student fees, interest and interfund.

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

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

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

C. Budgetary Process

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

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Eisenhower, Title VI-B, Title VI-B Early Childhood, Drug Free School, and Transition Funding special revenue funds' grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Darke 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 year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

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. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, five supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency fund, consistent with statutory provisions.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. 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 balance sheet. The balance of the grant activity administered by the fiscal agent is presented on the balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits of the Darke County Educational Service Center.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$82,328, which includes \$14,604 assigned from other School District funds. The enterprise funds also received interest in the amount of \$151 during fiscal year 1999.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

E. Inventory

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

F. Prepaid Items

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Title VI-B Early Childhood
- Career Education Project
- Professional Development
- Early Childhood
- Textbook Subsidy
- Vocational Education
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Eisenhower
- Transition Funding
- Video Distance Learning
- Continuous Improvement

Capital Projects Funds

- School Net
- School Net Plus
- Technology Equity

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund

Driver Education

Special Revenue Fund

E-Rate

Capital Projects Fund

Emergency Repair Grant

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 59 percent of governmental fund revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

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

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 fifteen years of service credit and employed with the School District for at least two years.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have been paid using current available financial resources.

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

L. 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.

M. Restricted Assets

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

N. 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.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves

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

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

P. Contributed Capital

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

Q. Total Columns on General Purpose Financial Statements

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

3. RESTATEMENT OF FUND BALANCE

The fund balance in the special revenue funds was restated for cash and cash equivalents with fiscal agents. The Darke County Educational Service Center administers grants on behalf of the School District that was omitted from the balance sheet during fiscal year 1998. Fund balance has been restated \$7,031, from \$62,579 to \$69,610. In addition, retained earnings in the enterprise funds was restated \$1,185, from \$20,211 to \$19,026 as a result of an overstatement of accounts receivable.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

At June 30, 1999, the Vocational Education Special Revenue Fund has a deficit fund balance of \$2,699. The deficit was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Uniform School Supplies Enterprise Fund had appropriations in excess of estimated revenues and available balance for fiscal year ended June 30, 1999, in the amount of \$10,811.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All 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 proprietary fund type (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

5. 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

	General	Special Revenue	Capital Projects
GAAP Basis	\$115,248	\$54,993	(\$254,791)
Revenue Accruals	41,675	(15,728)	(4,669)
Expenditure Accruals	(21,309)	(2,135)	(22,102)
Non-Budgeted Activity	0	(14,920)	0
Advances	(7,785)	700	7,085
Encumbrances	(263,108)	(44,447)	(3,306)
Budget Basis	(\$135,279)	(\$21,537)	(\$277,783)

Net Loss/Excess of Revenues Under Expenses
All Enterprise Funds

	Enterprise
GAAP Basis	(\$3,017)
Revenue Accruals	(3,410)
Expense Accruals	(7,554)
Fixed Asset Acquisitions	6,224
Supplies and Materials Inventory	(782)
Inventory Held for Resale	(1,679)
Depreciation Expense	628
Encumbrances	(1,160)
Budget Basis	(\$10,750)

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

6. DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

State Statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures, or any other obligations 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of tax exempt notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The grant money that is held by the Darke County Educational Service Center of \$21,952 and is shown on the balance sheet as "cash and cash equivalents with fiscal agents" is not classified below. Information on the classification of these monies can be obtained through the Darke County Educational Service Center.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$690,609 and the bank balance was \$748,392. Of the bank balance, \$398,392 was covered by federal depository insurance and \$350,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The only investment at June 30, 1999, was STAR Ohio. It is an unclassified investment with a carrying value and market value of \$734,214.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$1,446,775	\$0
Less: Cash with Fiscal Agent	(21,952)	0
Investment: STAR Ohio	(734,214)	734,214
GASB Statement 3	\$690,609	\$734,214

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

7. PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$70,676 in the General Fund and \$4 in the Permanent Improvement Capital Projects Fund.

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$37,823,990	91.54%	\$39,019,150	91.13%
Personal Property - Public Utility	2,703,050	6.54%	2,724,420	6.36%
Tangible Personal Property	792,970	1.92%	1,075,300	2.51%
Total Assessed Value	<u>\$41,320,010</u>	<u>100.00%</u>	<u>\$42,818,870</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.13		\$34.73	

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

8. INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, 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.

9. RECEIVABLES

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

A summary of the principal items of intergovernmental receivable follows:

	<u>Amount</u>
General Fund:	
SBH Costs	\$17,649
MH Refunds	14,600
Bureau of Workers' Compensation Refund	45
Refund from Montgomery County ESC	574
SF 14 Tuition	2,840
Title II-B	37
Total General Fund	35,745
Special Revenue Funds:	
E-rate	717
Title VI-B	15,011
Total Special Revenue Funds	15,728
Capital Project Fund:	
Emergency Repair Grant	7,084
Enterprise Fund:	
School Lunch Subsidy	3,468
Total Intergovernmental Receivables	\$62,025

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

10. FIXED ASSETS

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

Furniture and Equipment	35,859
Less Accumulated Depreciation	<u>(25,548)</u>
Net Fixed Assets	<u><u>\$10,311</u></u>

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$28,955	\$0	\$0	\$28,955
Buildings and Improvements	1,432,871	236,919	15,000	1,654,790
Furniture, Fixtures and Equipment	533,064	79,625	25,026	587,663
Vehicles	333,189	0	0	333,189
Total General Fixed Assets	<u><u>\$2,328,079</u></u>	<u><u>\$316,544</u></u>	<u><u>\$40,026</u></u>	<u><u>\$2,604,597</u></u>

There was no significant construction in progress at June 30, 1999.

11. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with R.J. Warner for property, fleet, and burglary insurance. Liability insurance was covered by Nationwide Insurance Company. Coverages were as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$6,774,061
Inland Marine Coverage (No deductible)	41,030
Boiler and Machinery (\$250 deductible)	200,000
Crime Insurance	4,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

11. RISK MANAGEMENT (Continued)

B. Workers' Compensation

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

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$39,249, \$73,647 and \$62,577, respectively; 48.76 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$20,110 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$103,561, \$287,779 and \$262,005, respectively; 79.72 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$20,998 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, 4 members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$138,082 for fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$37,685.

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

14. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56.25 days for classified employees and 56.25 days for certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. The School District provides health care benefits to both classified and certified employees through Anthem Insurance Company. The School District provides a flexible spending plan through American Fidelity Assurance.

15. LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
Intergovernmental Payable	\$19,942	\$30,640	\$19,942	\$30,640
Compensated Absences	288,932	24,472	0	313,404
Total General Long-Term Obligations	<u>\$308,874</u>	<u>\$55,112</u>	<u>\$19,942</u>	<u>\$344,044</u>

Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$3,853,698 with an unvoted debt margin of \$42,819 at June 30, 1999.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Franklin Monroe Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$98,602	\$0	\$98,602
Depreciation Expense	628	0	628
Operating Loss	(30,036)	(6,972)	(37,008)
Donated Commodities	4,539	0	4,539
Interest	151	0	151
Federal and State Subsidies	29,301	0	29,301
Net Income (Loss)	3,955	(6,972)	(3,017)
Fixed Asset Additions	7,824	0	7,824
Net Working Capital	6,253	9,334	15,587
Total Assets	30,884	9,334	40,218
Long-Term Liabilities			
Payable from Revenue	8,289	0	8,289
Contributed Capital	1,600	0	1,600
Total Equity	8,275	9,334	17,609
Encumbrances Outstanding at June 30, 1999	1,160	0	1,160

17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is a association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$19,014 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1999, Franklin Monroe Local School District paid \$10,676 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1999, the School District paid \$21,847 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

18. INTERFUND ACTIVITY

As of June 30, 1999, the General Fund had an interfund receivable of \$10,484, and the Vocational Education and Title VI-B Special Revenue Funds had an interfund payables of \$2,699 and \$700, respectively. In addition the Emergency Repair Grant Capital Projects Fund had an interfund payable of \$7,085.

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$14,592	\$14,592
Current Year Set-aside Requirement	51,360	51,360	25,680	128,400
Current Year Offsets	(9,421)	(28,124)	0	(37,545)
Qualifying Disbursements	<u>(86,521)</u>	<u>(123,921)</u>	<u>0</u>	<u>(210,442)</u>
Total	<u>(\$44,582)</u>	<u>(\$100,685)</u>	<u>\$40,272</u>	<u>(\$104,995)</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$40,272</u>	<u>\$40,272</u>
Amount restricted for bus purchases				<u>57,984</u>
Total Restricted Assets				<u>\$98,256</u>

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

19. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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

20. SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,878,788 in school foundation basic allowance support for its General Fund.

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

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

21. CONTINGENCIES

A. Grants

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

21. CONTINGENCIES (Continued)

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

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

Franklin Monroe Local School District
Darke County
P. O. Box 78
8639 Oakes Road
Pittsburg, Ohio 45358-0078

To the Board of Education:

We have audited the financial statements of Franklin Monroe Local School District, Darke County, (the District), as of and for the years ended June 30, 2000 and June 30, 1999, and have issued our report thereon dated December 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of finding as item 2000-10319-001.

Franklin Monroe Local School District

Darke County

Report of Independent Accountants on Compliance and on Internal Control Required by

Government Auditing Standards

Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered item 2000-10319-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 21, 2000.

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

Jim Petro

Auditor of State

December 21, 2000

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDING
JUNE 30, 2000**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2000-10319-001
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Commodity Inventory

The District receives food commodities from the Ohio Department of Education to be utilized in the preparation of the Type A lunches served in the District's lunchroom. The District is required to keep a perpetual inventory system listing the quantity of inventory received, amounts used, and ending inventory each month priced at current market value and submit monthly reports to the Ohio Department of Education.

The District failed to maintain commodities inventory records or carry the commodities reported at current value. In addition, the District failed to submit the required reports to the Department of Education for fiscal year 1999.

The District should maintain a perpetual inventory system for commodities indicating the item, quantity received, quantity used, and the remaining inventory at market price and report by utilizing the CN reports each month to the Ohio Department of Education. The inventory should be updated on a daily basis and verified at month end to the actual physical inventory to detect errors that may have occurred. The District is required to report the commodity figures accurately to the Ohio Department of Education prior to the 10th of the following month, so an accurate financial picture of the District's food service operations is presented to the Ohio Department of Education.



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FRANKLIN MONROE LOCAL SCHOOL DISTRICT

DARKE 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
FEBRUARY 06, 2001**