



**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Fredericktown Local School District
Knox County
134 West Second Street
Fredericktown, Ohio 43019

To the Board of Education:

We have audited the accompanying general purpose financial statements of Fredericktown Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the 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 Fredericktown Local School District, Knox County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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.

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

JIM PETRO
Auditor of State

December 20, 2000

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Fredericktown Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits										
Assets										
Equity in Pooled Cash and Cash Equivalents	\$1,646,343	\$176,012	\$2,067	\$244,473	\$42,714	\$0	\$28,212	\$0	\$0	\$2,139,821
Cash and Cash Equivalents With Fiscal Agent	0	0	61,020	0	0	435,174	0	0	0	496,194
Receivables:										
Taxes	2,917,047	0	0	84,048	0	0	0	0	0	3,001,095
Accounts	95	0	0	0	150	0	0	0	0	245
Intergovernmental	350	0	0	0	149	0	0	0	0	499
Due from Other Funds	0	0	0	0	0	40,487	0	0	0	40,487
Interfund Receivable	190,894	0	0	0	0	0	0	0	0	190,894
Prepaid Items	2,527	0	0	0	0	0	0	0	0	2,527
Inventory Held for Resale	0	0	0	0	3,477	0	0	0	0	3,477
Materials and Supplies Inventory	0	0	0	0	1,082	0	0	0	0	1,082
Restricted Assets:										
Equity in Pooled Cash and Cash Equivalents	188,482	0	0	0	0	0	0	0	0	188,482
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0	16,431	0	0	4,995,931	0	5,012,362
Other Debits										
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0	0	0	0	0	2,067	2,067
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	0	886,551	886,551
Total Assets and Other Debits	\$4,945,738	\$176,012	\$63,087	\$328,521	\$64,003	\$475,661	\$28,212	\$4,995,931	\$888,618	\$11,965,783

(continued)

Fredericktown Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2000

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
Liabilities, Fund Equity and Other Credits										
Liabilities										
Accounts Payable	\$52,843	\$15,700	\$0	\$0	\$7,468	\$0	\$0	\$0	\$0	\$76,011
Accrued Wages	474,031	31,077	0	0	15,152	0	0	0	0	520,260
Compensated Absences Payable	6,687	0	0	0	15,739	0	0	0	647,744	670,170
Due to Other Funds	34,916	2,438	0	0	3,133	0	0	0	0	40,487
Interfund Payable	0	2,355	0	188,539	0	0	0	0	0	190,894
Intergovernmental Payable	112,978	6,481	0	0	16,017	0	0	0	65,874	201,350
Deferred Revenue	1,984,792	0	0	45,495	2,230	0	0	0	0	2,032,517
Undistributed Monies	0	0	0	0	0	0	4,922	0	0	4,922
Due to Students	0	0	0	0	0	0	23,290	0	0	23,290
Matured Bonds Payable	0	0	48,000	0	0	0	0	0	0	48,000
Matured Interest Payable	0	0	13,020	0	0	0	0	0	0	13,020
Claims Payable	0	0	0	0	0	114,595	0	0	0	114,595
Energy Conservation Bonds Payable	0	0	0	0	0	0	0	0	175,000	175,000
Total Liabilities	2,666,247	58,051	61,020	234,034	59,739	114,595	28,212	0	888,618	4,110,516
Fund Equity and Other Credits										
Investment in General Fixed Assets	0	0	0	0	0	0	0	4,995,931	0	4,995,931
Contributed Capital	0	0	0	0	14,711	0	0	0	0	14,711
Retained Earnings:										
Unreserved (Deficit)	0	0	0	0	(10,447)	361,066	0	0	0	350,619
Fund Balance:										
Reserved for Encumbrances	318,895	14,158	0	123,047	0	0	0	0	0	456,100
Reserved for Property Taxes	932,255	0	0	38,553	0	0	0	0	0	970,808
Reserved for Budget Stabilization	83,846	0	0	0	0	0	0	0	0	83,846
Reserved for Textbooks	104,636	0	0	0	0	0	0	0	0	104,636
Unreserved:										
Undesignated (Deficit)	839,859	103,803	2,067	(67,113)	0	0	0	0	0	878,616
Total Fund Equity and Other Credits	2,279,491	117,961	2,067	94,487	4,264	361,066	0	4,995,931	0	7,855,267
Total Liabilities, Fund Equity and Other Credits	\$4,945,738	\$176,012	\$63,087	\$328,521	\$64,003	\$475,661	\$28,212	\$4,995,931	\$888,618	\$11,965,783

See accompanying notes to the general purpose financial statements

Fredericktown Local School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
Revenues					
Taxes	\$2,660,586	\$0	\$0	\$144,395	\$2,804,981
Intergovernmental	3,826,236	305,908	0	58,412	4,190,556
Interest	141,266	591	0	0	141,857
Tuition and Fees	2,454	13,586	0	0	16,040
Extracurricular Activities	0	135,712	0	0	135,712
Contributions and Donations	0	726	0	0	726
Rentals	6,362	0	0	0	6,362
Miscellaneous	19,216	0	0	0	19,216
Total Revenues	6,656,120	456,523	0	202,807	7,315,450
Expenditures					
Current:					
Instruction:					
Regular	3,259,496	74,641	0	0	3,334,137
Special	433,848	180,530	0	0	614,378
Vocational	64,816	0	0	0	64,816
Adult/Continuing	0	1,800	0	0	1,800
Support Services:					
Pupils	311,804	29,987	0	0	341,791
Instructional Staff	279,120	44,186	0	0	323,306
Board of Education	48,876	0	0	0	48,876
Administration	875,387	0	0	0	875,387
Fiscal	178,108	0	0	0	178,108
Business	39,582	0	0	0	39,582
Operation and Maintenance of Plant	407,149	8,930	0	0	416,079
Pupil Transportation	319,709	0	0	0	319,709
Extracurricular Activities	220,244	136,177	0	0	356,421
Capital Outlay	0	0	0	876,552	876,552
Debt Service:					
Principal Retirement	21,240	0	0	0	21,240
Interest and Fiscal Charges	3,798	0	0	0	3,798
Total Expenditures	6,463,177	476,251	0	876,552	7,815,980
Excess of Revenues Over (Under) Expenditures	192,943	(19,728)	0	(673,745) *	(500,530)
Fund Balances Beginning of Year (Restated - See Note 3)	2,090,648	137,689	2,067	768,232	2,998,636
Decrease in Reserve for Inventory	(4,100)	0	0	0	(4,100)
Fund Balances End of Year	\$2,279,491	\$117,961	\$2,067	\$94,487	\$2,494,006

See accompanying notes to the general purpose financial statements

Fredericktown Local School District
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

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$3,098,400	\$2,607,411	(\$490,989)
Intergovernmental	4,127,466	3,851,282	(276,184)
Interest	120,000	129,249	9,249
Tuition and Fees	1,000	2,963	1,963
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	10,000	6,362	(3,638)
Miscellaneous	25,000	19,216	(5,784)
Total Revenues	7,381,866	6,616,483	(765,383)
Expenditures			
Current:			
Instruction:			
Regular	3,748,520	3,292,240	456,280
Special	440,645	421,702	18,943
Vocational	70,057	68,051	2,006
Adult Education	0	0	0
Support Services:			
Pupils	345,680	306,867	38,813
Instructional Staff	411,431	283,016	128,415
Board of Education	124,834	89,358	35,476
Administration	954,629	884,270	70,359
Fiscal	196,608	192,490	4,118
Business	52,966	52,817	149
Operation and Maintenance of Plant	471,944	434,043	37,901
Pupil Transportation	485,253	433,001	52,252
Extracurricular Activities	293,709	215,898	77,811
Debt Service:			
Principal Retirement	21,240	21,240	0
Interest and Fiscal Charges	3,524	3,524	0
Total Expenditures	7,621,040	6,698,517	922,523
Excess of Revenues Under Expenditures	(239,174)	(82,034)	157,140
Other Financing Sources (Uses)			
Advances In	0	0	0
Advances Out	(318,423)	(190,894)	127,529
Operating Transfers Out	(932,312)	0	932,312
Total Other Financing Sources (Uses)	(1,250,735)	(190,894)	1,059,841
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(1,489,909)	(272,928)	1,216,981
Fund Balances Beginning of Year	1,497,629	1,497,629	0
Prior Year Encumbrances Appropriated	226,370	226,370	0
Fund Balances End of Year	\$234,090	\$1,451,071	\$1,216,981

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
402,577	305,908	(96,669)	0	0	0
1,000	591	(409)	0	0	0
13,470	13,586	116	0	0	0
144,400	135,712	(8,688)	0	0	0
2,500	1,020	(1,480)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>563,947</u>	<u>456,817</u>	<u>(107,130)</u>	<u>0</u>	<u>0</u>	<u>0</u>
64,775	81,148	(16,373)	0	0	0
160,550	193,255	(32,705)	0	0	0
0	0	0	0	0	0
0	1,800	(1,800)	0	0	0
58,541	33,058	25,483	0	0	0
24,148	21,067	3,081	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,067	0	2,067
0	0	0	0	0	0
0	8,930	(8,930)	0	0	0
0	0	0	0	0	0
167,380	139,383	27,997	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>475,394</u>	<u>478,641</u>	<u>(3,247)</u>	<u>2,067</u>	<u>0</u>	<u>2,067</u>
<u>88,553</u>	<u>(21,824)</u>	<u>(110,377)</u>	<u>(2,067)</u>	<u>0</u>	<u>2,067</u>
0	2,355	2,355	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>2,355</u>	<u>2,355</u>	<u>0</u>	<u>0</u>	<u>0</u>
88,553	(19,469)	(108,022)	(2,067)	0	2,067
144,020	144,020	0	2,067	2,067	0
21,327	21,327	0	0	0	0
<u>\$253,900</u>	<u>\$145,878</u>	<u>(\$108,022)</u>	<u>\$0</u>	<u>\$2,067</u>	<u>\$2,067</u>

(continued)

Fredericktown Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2000*

	Capital Projects Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$162,000	\$166,660	\$4,660	\$3,260,400	\$2,774,071	(\$486,329)
Intergovernmental	711,464	508,413	(203,051)	5,241,507	4,665,603	(575,904)
Interest	0	0	0	121,000	129,840	8,840
Tuition and Fees	0	0	0	14,470	16,549	2,079
Extracurricular Activities	0	0	0	144,400	135,712	(8,688)
Contributions and Donations	0	0	0	2,500	1,020	(1,480)
Rentals	0	0	0	10,000	6,362	(3,638)
Miscellaneous	0	0	0	25,000	19,216	(5,784)
<i>Total Revenues</i>	873,464	675,073	(198,391)	8,819,277	7,748,373	(1,070,904)
Expenditures						
Current:						
Instruction:						
Regular	102,104	74,480	27,624	3,915,399	3,447,868	467,531
Special	0	0	0	601,195	614,957	(13,762)
Vocational	0	0	0	70,057	68,051	2,006
Adult Education	0	0	0	0	1,800	(1,800)
Support Services:						
Pupils	0	0	0	404,221	339,925	64,296
Instructional Staff	0	0	0	435,579	304,083	131,496
Board of Education	0	0	0	124,834	89,358	35,476
Administration	0	0	0	954,629	884,270	70,359
Fiscal	0	3,787	(3,787)	198,675	196,277	2,398
Business	0	0	0	52,966	52,817	149
Operation and Maintenance of Plant	838,754	927,647	(88,893)	1,310,698	1,370,620	(59,922)
Pupil Transportation	0	0	0	485,253	433,001	52,252
Extracurricular Activities	0	0	0	461,089	355,281	105,808
Debt Service:						
Principal Retirement	0	0	0	21,240	21,240	0
Interest and Fiscal Charges	0	0	0	3,524	3,524	0
<i>Total Expenditures</i>	940,858	1,005,914	(65,056)	9,039,359	8,183,072	856,287
<i>Excess of Revenues Under Expenditures</i>	(67,394)	(330,841)	(263,447)	(220,082)	(434,699)	(214,617)
Other Financing Sources (Uses)						
Advances In	68,039	188,539	120,500	68,039	190,894	122,855
Advances Out	0	0	0	(318,423)	(190,894)	127,529
Operating Transfers Out	0	0	0	(932,312)	0	932,312
<i>Total Other Financing Sources (Uses)</i>	68,039	188,539	120,500	(1,182,696)	0	1,182,696
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	645	(142,302)	(142,947)	(1,402,778)	(434,699)	968,079
<i>Fund Balances Beginning of Year</i>	172,547	172,547	0	1,816,263	1,816,263	0
Prior Year Encumbrances Appropriated	91,179	91,179	0	338,876	338,876	0
<i>Fund Balances End of Year</i>	\$264,371	\$121,424	(\$142,947)	\$752,361	\$1,720,440	\$968,079

See accompanying notes to the general purpose financial statements

Fredericktown Local School District
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000*

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues			
Sales	\$239,061	\$0	\$239,061
Charges for Services	0	646,326	646,326
Other	853	0	853
<i>Total Operating Revenues</i>	<u>239,914</u>	<u>646,326</u>	<u>886,240</u>
Operating Expenses			
Salaries and Wages	113,296	0	113,296
Fringe Benefits	84,579	0	84,579
Purchased Services	139	109,757	109,896
Materials and Supplies	13,346	0	13,346
Cost of Sales	143,420	0	143,420
Depreciation	1,378	0	1,378
Claims	0	641,979	641,979
Other	404	0	404
<i>Total Operating Expenses</i>	<u>356,562</u>	<u>751,736</u>	<u>1,108,298</u>
<i>Operating Loss</i>	<u>(116,648)</u>	<u>(105,410)</u>	<u>(222,058)</u>
Non-Operating Revenues			
Donated Commodities	16,094	0	16,094
Operating Grants	54,173	0	54,173
Interest	1,175	22,607	23,782
<i>Total Non-Operating Revenues</i>	<u>71,442</u>	<u>22,607</u>	<u>94,049</u>
<i>Net Loss</i>	(45,206)	(82,803)	(128,009)
<i>Retained Earnings Beginning of Year (Restated - See Note 3)</i>	<u>34,759</u>	<u>443,869</u>	<u>478,628</u>
<i>Retained Earnings (Deficit) End of Year</i>	(10,447)	361,066	350,619
<i>Contributed Capital Beginning and End of Year</i>	<u>14,711</u>	<u>0</u>	<u>14,711</u>
<i>Fund Equity End of Year</i>	<u>\$4,264</u>	<u>\$361,066</u>	<u>\$365,330</u>

See accompanying notes to the general purpose financial statements

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Fredericktown Local School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$237,500	\$239,061	\$1,561
Charges for Services	0	0	0
Operating Grants	59,329	60,981	1,652
Interest	0	1,175	1,175
Other	1,000	703	(297)
<i>Total Revenues</i>	<u>297,829</u>	<u>301,920</u>	<u>4,091</u>
Expenses			
Salaries and Wages	122,501	122,176	325
Fringe Benefits	65,721	64,568	1,153
Purchased Services	325	139	186
Materials and Supplies	175,237	164,024	11,213
Claims	0	0	0
Other	404	404	0
<i>Total Expenses</i>	<u>364,188</u>	<u>351,311</u>	<u>12,877</u>
<i>Excess of Revenues Under Expenses</i>	(66,359)	(49,391)	16,968
<i>Fund Equity Beginning of Year</i>	44,626	44,626	0
Prior Year Encumbrances Appropriated	<u>21,733</u>	<u>21,733</u>	<u>0</u>
<i>Fund Equity (Deficit) End of Year</i>	<u><u>\$0</u></u>	<u><u>\$16,968</u></u>	<u><u>\$16,968</u></u>

(continued)

Fredericktown Local School District
 Combined Statement of Revenues, Expenses
 and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
 All Proprietary Fund Types (continued)
 For the Fiscal Year Ended June 30, 2000

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$0	\$0	\$0
Charges for Services	655,000	658,052	3,052
Operating Grants	0	0	0
Interest	5,000	22,607	17,607
Other	0	0	0
<i>Total Revenues</i>	<u>660,000</u>	<u>680,659</u>	<u>20,659</u>
Expenses			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Purchased Services	370,727	109,757	260,970
Materials and Supplies	0	0	0
Claims	909,903	635,397	274,506
Other	0	0	0
<i>Total Expenses</i>	<u>1,280,630</u>	<u>745,154</u>	<u>535,476</u>
<i>Excess of Revenues Under Expenses</i>	(620,630)	(64,495)	556,135
<i>Fund Equity Beginning of Year</i>	444,685	444,685	0
Prior Year Encumbrances Appropriated	0	0	0
<i>Fund Equity (Deficit) End of Year</i>	<u>(\$175,945)</u>	<u>\$380,190</u>	<u>\$556,135</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$237,500	\$239,061	\$1,561
655,000	658,052	3,052
59,329	60,981	1,652
5,000	23,782	18,782
1,000	703	(297)
<u>957,829</u>	<u>982,579</u>	<u>24,750</u>
122,501	122,176	325
65,721	64,568	1,153
371,052	109,896	261,156
175,237	164,024	11,213
909,903	635,397	274,506
404	404	0
<u>1,644,818</u>	<u>1,096,465</u>	<u>548,353</u>
(686,989)	(113,886)	573,103
489,311	489,311	0
<u>21,733</u>	<u>21,733</u>	<u>0</u>
<u>(\$175,945)</u>	<u>\$397,158</u>	<u>\$573,103</u>

Fredericktown Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase/(Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$239,061	\$0	\$239,061
Cash Received from Quasi-External External Operating Transactions			
Operating Transactions with Other Funds	0	659,428	659,428
Cash Received from Other Operating Sources	703	0	703
Cash Payments for Goods and Services	(138,417)	(109,757)	(248,174)
Cash Payments to Employees for Services	(122,176)	0	(122,176)
Cash Payments for Employee Benefits	(64,568)	0	(64,568)
Cash Payments for Claims	0	(635,397)	(635,397)
Cash Payments for Other Operating Expenses	(404)	0	(404)
<i>Net Cash Used for Operating Activities</i>	(85,801)	(85,726)	(171,527)
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	60,981	0	60,981
Cash Flows from Investing Activities			
Interest on Investments	1,175	22,607	23,782
<i>Net Decrease in Cash and Cash Equivalents</i>	(23,645)	(63,119)	(86,764)
<i>Cash and Cash Equivalents Beginning of Year</i>	66,359	498,293	564,652
<i>Cash and Cash Equivalents End of Year</i>	\$42,714	\$435,174	\$477,888
Reconciliation of Operating Loss to Net Cash Used for Operating Activities			
<i>Operating Loss</i>	(\$116,648)	(\$105,410)	(\$222,058)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities			
Depreciation	1,378	0	1,378
Donated Commodities Used During Year	16,094	0	16,094
(Increase)/Decrease in Assets:			
Accounts Receivable	(150)	0	(150)
Due From Other Funds	0	13,101	13,101
Inventory Held for Resale	1,047	0	1,047
Materials and Supplies Inventory	(1,082)	0	(1,082)
Increase/(Decrease) in Liabilities:			
Accounts Payable	2,429	0	2,429
Accrued Wages	2,630	0	2,630
Compensated Absences Payable	4,229	0	4,229
Due to Other Funds	3,133	0	3,133
Intergovernmental Payable	1,139	0	1,139
Claims Payable	0	6,583	6,583
<i>Total Adjustments</i>	30,847	19,684	50,531
<i>Net Cash Used for Operating Activities</i>	(\$85,801)	(\$85,726)	(\$171,527)

See accompanying notes to the general purpose financial statements

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fredericktown 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 1876. The School District serves an area of approximately 94 square miles. It encompasses most of the northwest quadrant of Knox County, including the Village of Fredericktown and portions of surrounding townships. In addition, a very small portion of Morrow County is included in the School District boundaries. The School District is the 411th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 53 classified employees and 87 certificated employees who provide services to 1,246 students and other community members. The School District currently operates 3 instructional buildings and 2 support buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Fredericktown 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 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. Fredericktown Local School District does not have any component units.

The School District is associated with the Tri-Rivers Educational Computer Association, a jointly governed organization and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. See Note 16 and Note 17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fredericktown 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.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Proprietary Fund Types:

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

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

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

Fiduciary Fund 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. There are two types of fiduciary funds, trust and agency. The School District has only agency funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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 type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

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

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. 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 in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

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

By no later than January 20, the Board-adopted budget is filed with the Knox County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

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

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

During fiscal year 2000, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

The District has allocated interest according to Ohio statutes. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$141,266 which includes \$30,804 assigned from other School District funds.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the School District's central bank account and are reflected on the combined balance sheet as "cash and cash equivalents with fiscal agent." The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

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

F. Inventory

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

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set-aside by the School District for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective 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 possess any infrastructure.

FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

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. Enterprise fixed assets are depreciated on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Useful Life</u>
Furniture and Equipment	5-20 years

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

Special Revenue Funds

Textbook and Instructional Materials

Non-Reimbursable Grants

Special Revenue Funds

Latchkey Child Care Grant
Management Information Systems
SchoolNet Professional Development
Title VIB
Title I
Title VI
Drug Free Schools
Local Professional Development
Educational Management Information System
School to Work Grant

Capital Projects Funds

SchoolNet Plus
Technology Equity

FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Reimbursable Grants

General Fund

Driver Education
Vocational Education Travel/Salary

Proprietary Funds

National School Lunch Program
National School Milk Program
Government Donated Commodities

Grants and entitlements amounted to 57 percent of the School District's governmental fund revenue during the 2000 fiscal year.

J. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other fund" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 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 employees who are 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 employees after eleven years of current service with the School District.

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions 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 generally considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

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

M. 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.

N. Fund Balance Reserves

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

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 State statute to protect against cyclical changes in revenues and expenditures.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to 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 fiscal year end.

P. Estimates

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, 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 EQUITY

The fund structure of the School District was re-evaluated during fiscal year 2000. A prior period adjustment in the self-insurance fund was also made to correct prior errors in deferred revenue, due from other funds and cash with fiscal agents. The effects of these changes on the excess of revenues and other financing sources under expenditures and other financing uses as previously reported for the year ended June 30, 1999, is as follows:

Governmental Funds:

	Special Revenue	Expendable Trust
Excess as Previously Reported	(\$11,243)	(\$688)
Fund Restructure	(688)	688
Restated Excess for the fiscal year ended June 30,	(\$11,931)	\$0

Proprietary Funds:

	Internal Service
Net Loss as Previously Reported	(\$159,975)
Correction of an Error	160,821
Fund Restructure	(1,184)
Restated Amount June 30, 1999	(\$338)

These changes had the following effects on fund balance/retained earnings as it was previously reported as of June 30, 1999.

Governmental Funds:

	Special Revenue	Expendable Trust
Fund Balance June 30, 1999	\$117,198	\$20,491
Fund Restructure	20,491	(20,491)
Restated Fund Balance for the fiscal year ended June 30, 1999	\$137,689	\$0

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

3. RESTATEMENT OF FUND EQUITY (Continued)

Proprietary Funds:

	<u>Internal Service</u>
Retained Earnings June 30, 1999	\$287,978
Correction of an Error	160,821
Fund Restructure	(4,930)
Restated Retained Earnings July 1, 1999	<u>\$443,869</u>

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances/retained earnings at June 30, 2000:

	<u>Deficit Fund Balance/ Retained Earnings</u>
Capital Projects Funds:	
ADA Grant	\$97,810
Power Up Grant	16,422
Enterprise Fund:	
Food Service	34,456

The capital projects funds deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The food service enterprise fund deficit retained earnings resulted from adjustments for accrued liabilities. Management is analyzing fund operations to determine appropriate action to alleviate the deficit.

B. Compliance

Budgetary expenditures exceeded appropriations in many District funds at June 30, 2000.

As of June 30, 2000, actual receipts were less than estimated receipts in many District funds which caused available resources to fall below the level of appropriations.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance/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 Proprietary Fund Types 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:

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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).

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	\$192,943	(\$19,728)	(\$673,745)
Net Adjustment for Revenue Accruals	(39,637)	294	472,266
Advances In	0	2,355	188,539
Net Adjustment for Expenditure Accruals	136,397	27,744	(6,313)
Advances Out	(190,894)	0	0
Adjustment for Encumbrances	(371,737)	(30,134)	(123,049)
Budget Basis	(\$272,928)	(\$19,469)	(\$142,302)

Net Loss/Excess of Revenues Under Expenses
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$45,206)	(\$82,803)
Net Adjustment for Revenue Accruals	6,658	158,197
Net Adjustment for Expense Accruals	13,525	(139,889)
Depreciation Expense	1,378	0
Adjustment for Encumbrances	(25,746)	0
Budget Basis	(\$49,391)	(\$ 64,495)

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(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 the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure repayment of all public monies deposited with the institution.

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

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in a amount not to exceed twenty-five percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At June 30, 2000, the School District's self-insurance internal service fund had a cash balance of \$435,174 with OME-RESA, a claims servicing pool (See Note 10). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, Ohio 43952.

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

Deposits: At year-end, the carrying amount of the School District's deposits was \$402,969 and the bank balance was \$888,913. \$161,020 of the bank balance was covered by federal depository insurance. \$727,893 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are required to be 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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2000, the fair value of funds on deposit with STAROhio was \$1,925,126.

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,824,497	\$0
Cash on Hand	(208)	0
Cash Held by Fiscal Agent	(496,194)	0
Investments which are part of a cash management		
Investment in State Treasurer's Investment Pool	(1,925,126)	1,925,126
GASB Statement No. 3	\$402,969	\$1,925,126

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 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

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

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

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

7. PROPERTY TAXES (Continued)

The assessed values upon which the 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	\$65,694,868	78.59 %	\$79,335,250	81.93 %
Public Utility Personal	5,026,500	6.01	5,066,120	5.23
Tangible Personal Property	12,875,517	15.40	12,431,990	12.84
Total Assessed Values	\$83,596,885	100.00 %	\$96,833,360	100.00 %

Tax rate per \$1,000 of assessed valuation	\$46.70	\$49.20
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A levy was passed in May of 2000 for 2.5 mills, with collection to begin in January of 2001.

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 later 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 Knox and Morrow Counties. 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 represent delinquent taxes outstanding and real property, 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 year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the School District as an advance at June 30, 2000, was \$932,255 in the general fund and \$38,553 in the permanent improvement capital projects fund.

8. RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (customer services, and student fees), interfund receivables 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 year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

8. RECEIVABLES (Continued)

Intergovernmental Receivables	Amounts
General Fund:	
Driver's Education	\$350
Food Service Enterprise Fund	149
Total	\$499

9. FIXED ASSETS

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

Furniture and Equipment	\$113,012
Less accumulated depreciation	(96,581)
Net Fixed Assets	\$16,431

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

	Balance 7/1/99	Additions	Deletions	Balance 6/30/00
Land and Improvements	\$158,616	\$0	\$0	\$158,616
Buildings and Improvements	2,775,743	8,178	0	2,783,921
Furniture and Equipment	1,291,150	287,070	112,282	1,465,938
Vehicles	522,883	101,928	37,355	587,456
Total	\$4,748,392	\$397,176	\$149,637	\$4,995,931

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 of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2000, the School District contracted with Nationwide for fleet and Westfield Companies for property and liability insurance coverages as follows:

Type of Coverage	Deductible	Coverage
Building and Contents - replacement cost	\$1,000	\$13,524,834
Automobile Liability	0	2,000,000
General Liability:		
Per Occurrence	0	1,000,000
Total Per Year	0	5,000,000

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

10. RISK MANAGEMENT (Continued)

A. Property and Liability (Continued)

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical and surgical insurance is offered to all employees, and dental insurance is offered to certificated employees through a self insurance internal service fund. The School District is self insured with Self-Funded Plans, Inc. serving as the third party administrator. The claims liability of \$114,595 reported in the internal service fund at June 30, 2000 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 1998, 1999 and 2000 is as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
1998	\$93,737	\$564,566	\$555,671	\$102,632
1999	102,632	729,840	724,459	108,013
2000	108,013	641,979	635,397	114,595

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 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, 2000, 1999, and 1998 were \$48,997, \$61,044 and \$119,316, respectively; 37.39 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$30,678 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.

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, administered by the State Teachers Retirement Board. 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 \$208,393, \$200,588, and \$359,625, respectively; 82.06 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$37,375 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

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

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 \$277,858 for fiscal year 2000.

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

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 8.50 percent of covered payroll, an increase from 6.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 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 \$91,527.

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.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

13. OTHER EMPLOYEE BENEFITS

A. *Compensated Absences*

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees 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 to a maximum of 216 days for classified employees and 220 days for certified employees. Upon retirement, payment is made for 25 percent of total sick leave accumulated; to a maximum of 55 days for classified employees, to a maximum of 54 days for certificated employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through Self-Funded Plans, Inc. The Board pays the cost of the monthly premium, \$2.70 per employee.

14. LONG-TERM OBLIGATIONS

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

	Outstanding 6/30/99	Additions	Reductions	Outstanding 6/30/00
Energy Conservation Bonds 1998	\$190,000	\$0	\$15,000	\$175,000
Compensated Absences	629,489	18,255	0	647,744
Intergovernmental Payable	53,165	65,874	53,165	65,874
Capital Lease	6,240	0	6,240	0
Total General Long-Term Obligations	\$878,894	\$84,129	\$74,405	\$888,618

The energy conservation bonds will be paid from the remaining money in the debt service fund and the remainder from the general fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. The capital lease obligation was paid from the general fund.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

14. LONG-TERM OBLIGATIONS (Continued)

The School District's overall legal debt margin was \$8,715,002, with an unvoted debt margin of \$96,833 at June 30, 2000. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2001	\$20,000	\$8,828	\$28,828
2002	20,000	7,758	27,758
2003	20,000	6,688	26,688
2004	20,000	5,618	25,618
2005	20,000	4,548	24,548
2006-2008	75,000	6,019	81,019
Total	<u>\$175,000</u>	<u>\$39,459</u>	<u>\$214,459</u>

15. INTERFUND TRANSACTIONS

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

	Interfund Receivable	Interfund Payable
General Fund	<u>\$190,894</u>	<u>\$0</u>
Title VI Special Revenue Fund	0	2,355
Capital Projects Funds:		
ADA Grant	0	106,480
Power Up Grant	<u>0</u>	<u>82,059</u>
Total Capital Projects Funds	<u>0</u>	<u>188,539</u>
Totals	<u>\$190,894</u>	<u>\$190,894</u>

16. JOINTLY GOVERNED ORGANIZATION

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among 31 public school districts within the boundaries of Delaware, Marion, Morrow, Knox, Muskingum and Wyandot Counties. TRECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. TRECA operates under the direction of a Board consisting of one representative from each county, elected by a majority vote of all charter member school districts within each county, one representative for the city school districts, and the Superintendent from the Tri-Rivers Joint Vocational School. The continued existence of TRECA is not dependent on the School District's continued participation and no equity interest exists. TRECA has no outstanding debt. To obtain financial information write to , Tri-Rivers Educational Computer Association, Mike Carder, who serves as Director, 2222 Marion-Mount Gilead Road, Marion, Ohio 43302.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

17. INSURANCE PURCHASING POOL

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

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$207,093	\$32,821	\$239,914
Depreciation	1,378	0	1,378
Operating Loss	(115,879)	(769)	(116,648)
Donated Commodities	16,094	0	16,094
Operating Grants	54,173	0	54,173
Interest	1,175	0	1,175
Net Loss	(44,437)	(769)	(45,206)
Net Working Capital	(20,437)	24,009	3,572
Total Assets	32,526	31,477	64,003
Long-Term Compensated Absences Payable	15,739	0	15,739
Total Equity	(19,745)	24,009	4,264
Encumbrances at June 30, 2000	685	25,061	25,746

19. STATE SCHOOL FUNDING 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 \$3,585,742 of school foundation support for its general fund.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

19. STATE SCHOOL FUNDING DECISION (Continued)

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 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 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.

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require 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 Fredericktown Local School District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect adverse on the overall financial position of the School District at June 30, 2000.

21. SET-ASIDES

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.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

21. SET-ASIDES (Continued)

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.

	Textbooks\ Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-aside Reserve Balance as of June 30, 1999	\$77,794	\$0	\$83,846
Current Year Set-aside	154,106	154,106	0
Current Year Off-sets	0	(154,106)	
Qualifying Disbursements	(127,264)	0	0
Totals	<u>\$104,636</u>	<u>\$0</u>	<u>\$83,846</u>
Set-aside Balance Carried Forward			
To Future Fiscal Years	<u>\$104,636</u>	<u>\$0</u>	<u>\$83,846</u>
Set-aside Reserve Balance as of June 30,	<u>\$104,636</u>	<u>\$0</u>	<u>\$83,846</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$188,482.

22. SUBSEQUENT EVENT

On November 7, 2000 the School District passed a 5.33 mills bond issue valued at \$7.9 million, with collection to begin in January, 2001.

On November 28, 2000, the Board of Education authorized the issuance of notes in the amount not to exceed \$7.9 million in anticipation of the issuance of bonds for the purpose of construction of a primary school building.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	CFDA #	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$ —	\$13,999	\$ —	\$16,094
National School Lunch Program	10.555	047852 03-PU 0000	57,384	—	57,384	—
Special Milk Program for Children	10.556	047852 02-PU 0000	1,406	—	1,406	—
Total U.S. Department of Agriculture - Nutrition Cluster			<u>58,790</u>	<u>13,999</u>	<u>58,790</u>	<u>16,094</u>
U.S. DEPARTMENT OF LABOR						
<i>Passed through the Ohio Department of Education:</i>						
Employment Services and Job Training	17.249	047852 WK-BE 00	—	—	441	—
Total U.S. Department of Labor			—	—	<u>441</u>	—
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
<i>Passed through State Library of Ohio Agency</i>						
State Library Program	45.310	31-6400490	—	—	4,568	—
Total Institute of Museum and Library Services			—	—	<u>4,568</u>	—
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	047852 C1-S1 1999	18,208	—	76,996	—
		047852 C1-S1 2000	108,318	—	54,553	—
Total Title I Grants to Local Educational Agencies			<u>126,526</u>	—	<u>131,549</u>	—
Special Education Grants to States	84.027	047852 6B-SF 1999	12,228	—	29,975	—
		047852 6B-SF 2000	83,715	—	52,972	—
Total Special Education Grants to States			<u>95,943</u>	—	<u>82,947</u>	—
Safe and Drug-Free Schools and Communities - State Grants	84.186	047852 DR-S1 1999	—	—	1,907	—
		047852 DR-S1 2000	4,742	—	1,018	—
Total Safe and Drug-Free Schools and Communities - State Grants			<u>4,742</u>	—	<u>2,925</u>	—
Goals 2000 State and Local Education Systemic Improvement	84.276	047852 G2-S2 1999	—	—	700	—
Eisenhower Professional Development State Grant	84.281	047852 MS-S1 2000	5,121	—	5,121	—
Innovative Education Program Strategies	84.298	047852 C2-S1 1999	0	—	1,407	—
		047852 C2-S1 2000	3,544	—	0	—
Total Innovative Education Program Strategies			<u>3,544</u>	—	<u>1,407</u>	—
Reducing Class Size	84.340	047852 CR-S1 2000	14,077	—	11,700	—
Total U.S. Department of Education			<u>249,953</u>	—	<u>236,349</u>	—
Total Federal Awards			<u>\$308,743</u>	<u>\$13,999</u>	<u>\$300,148</u>	<u>\$16,094</u>

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at fair market value of the commodities received and consumed. At June 30, 2000, the District had no significant food commodities in inventory.



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

Fredericktown Local School District
Knox County
134 West Second Street
Fredericktown, Ohio 43019

To the Board of Education:

We have audited the general purpose financial statements of Fredericktown Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 20, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10642-001 and 2000-10642-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 20, 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our 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. Reportable conditions are described in the accompanying schedule of findings as items 2000-10642-003 and 2000-10642-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe neither of the reportable conditions described above is 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 20, 2000.

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

JIM PETRO
Auditor of State

December 20, 2000



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

Fredericktown Local School District
Knox County
134 West Second Street
Fredericktown, Ohio 43019

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

December 20, 2000

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies - CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2000-10642-001
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Expenditures Exceed Appropriations

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

Finding Number	2000-10642-001 (Continued)
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Expenditures Exceed Appropriations (Continued)

Budgetary expenditures exceeded appropriations in the following funds at June 30, 2000:

Fund	Fund Name	Appropriations	Budgetary Expenditures	Variance
018-9343	Public School Support - Elem.	\$3,049	\$14,279	(\$11,230)
019-9099	SERRC Grant	1,711	4,485	(2,774)
019-9200	M.H. Jennings Grant	0	2,414	(2,414)
019-9300	M.H. Jennings Grant	0	3,724	(3,724)
300-9376	Outdoor School	25,261	27,847	(2,586)
425-9096	Latchkey Fund	3,383	11,505	(8,122)
499-9000	Ohio Reads Grant	0	27,702	(27,702)
514-9000	Eisenhower Grant	0	5,121	(5,121)
572-9000	Title I	0	54,553	(54,553)
599-9200	Character Education Grant	0	6,383	(6,383)
010-9000	ADA Grant	0	106,315	(106,315)
457-9000	Power-Up Grant	0	75,503	(75,503)
457-9099	Power-Up Grant	22,192	69,383	(47,191)

The Treasurer should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Finding Number	2000-10642-002
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Decreased Amended Certificates

Ohio Rev. Code Section 5705.36 requires that upon a determination by the fiscal officer of the District that the revenue collected by the District will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

Finding Number	2000-10642-002 (Continued)
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Decreased Amended Certificates (Continued)

As of June 30, 2000, actual receipts were less than estimated receipts, thereby reducing available resources below the level of appropriations in the following funds:

Fund	Fund Name	Actual Resources	FY 2000 Permanent Appropriations	Variance
001-0000	General	\$8,114,111	\$8,645,806	(\$531,695)
300-9325	FFA	18,996	19,666	(670)
455-0000	Textbook Subsidy Fund	8,349	26,549	(18,200)
516-9000	Title VI-B	83,715	93,017	(9,302)
584-9000	Drug Free Schools	4,742	5,269	(527)
599-9100	Title VI-R	14,077	23,462	(9,385)
497-9099	Building Repair Fund	450,000	500,000	(50,000)
007-9250	Alumni Scholarship Fund	14,128	16,017	(1,889)
007-9379	Elementary Pencil Fund	1,179	1,938	(759)

We recommend that the District closely monitor its resources in respect to its appropriations.

Finding Number	2000-10642-003
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Board Monitoring

The Board of Education does not monitor the District's financial reporting processes on a consistent basis. While certain financial activity was presented to the Board for some months, there was no consistent monitoring of the District's financial reporting process throughout the fiscal year. Lack of Board monitoring controls may result in errors or irregularities without legislative knowledge.

Monitoring comprises regular management and supervisory activities established to oversee whether management's financial objectives are being achieved. Monitoring controls generally pertain to the analysis of reports produced by the accounting system. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

We recommend on a monthly basis the Board monitor budgeted versus actual revenue and expenditures to identify unusual or inconsistent fluctuations in the District's financial activity. We also recommend bank reconciliations and monthly financial reports by fund be presented to the Board to allow for regular monitoring of the District's financial activity. Furthermore, a listing of monthly bills should be presented for Board approval prior to the payment of such bills each month.

FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

Finding Number	2000-10642-004
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Budgetary Posting

The District should post to its appropriation ledger those appropriations and appropriation modifications approved by the Board of Education to allow for monitoring of budgeted versus actual expenditures. Likewise, the District should also post to its revenue ledger, the estimated revenue as certified to the County Budget Commission to allow for monitoring of budget versus actual revenue.

As of June 30, 2000, the \$7,948,570 of estimated revenue posted to the District's revenue ledger varied from the \$9,943,841 certified by the County Budget Commission by nearly \$2 million. Failure to accurately post budgeted revenue results in the inability to monitor budgeted versus actual receipts, and, thus, may impair the District's ability to detect possible errors or irregularities.

Also, the appropriations posted to the District's appropriations ledger as of June 30, 2000 totaled \$12,235,434, although fiscal year 2000 appropriations approved by the Board totaled only \$11,678,972. Failure to accurately post the District's appropriations compromises the Board's ability to monitor budgeted versus actual disbursements.

We recommend that the District accurately post to its revenue and appropriation ledgers all appropriation measures approved by the Board and the estimated revenue as certified by the County Budget Commission. Furthermore, in addition to the budgeted versus actual disbursement reports the Board currently monitors, we also recommend the Board review on a monthly basis budgetary reports comparing budgeted revenue versus actual revenue.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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FREDERICKTOWN LOCAL SCHOOL DISTRICT

KNOX 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
MARCH 6, 2001**