



**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Frontier Local School District
Washington County
Route 3, Box 134
New Matamoras, Ohio 45767

To Members of the Board:

We have audited the accompanying general purpose financial statements of the Frontier Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

February 27, 2002

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Frontier Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,552,226	\$148,043	\$58,824	\$3,134,327
Cash and Cash Equivalents in Segregated Accounts	0	9	0	0
Investments	0	0	0	2,193,509
<u>Receivables:</u>				
Taxes	953,369	20,255	133,686	0
Accounts	1,425	200	0	0
Intergovernmental	57,711	126,998	8,118	18,273,321
Interfund	67,258	0	0	0
Materials and Supplies Inventory	4,110	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	1,262	0	0	0
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	34,795	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Construction in Progress	0	0	0	0
<u>Other Debits:</u>				
Amount to be Provided from General Government Resources	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Bonds	0	0	0	0
 Total Assets and Other Debits	 <u>\$2,672,156</u>	 <u>\$295,505</u>	 <u>\$200,628</u>	 <u>\$23,601,157</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$15,969	\$0	\$0	\$4,909,389
0	0	0	0	9
0	0	0	0	2,193,509
0	0	0	0	1,107,310
0	0	0	0	1,625
0	0	0	0	18,466,148
0	0	0	0	67,258
465	0	0	0	4,575
9,433	0	0	0	9,433
0	0	0	0	1,262
0	0	0	0	34,795
46,102	0	5,262,802	0	5,308,904
0	0	778,868	0	778,868
0	0	0	2,941,795	2,941,795
0	0	0	71,280	71,280
<u>\$56,000</u>	<u>\$15,969</u>	<u>\$6,041,670</u>	<u>\$3,013,075</u>	<u>\$35,896,160</u>

(continued)

Frontier Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
<u>Liabilities:</u>				
Accounts Payable	\$18,398	\$1,571	\$0	\$0
Contracts Payable	23,713	0	0	31,950
Retainage Payable	2,365	0	0	0
Accrued Wages and Benefits Payable	521,235	72,641	0	0
Compensated Absences Payable	0	0	0	0
Interfund Payable	0	64,166	0	0
Intergovernmental Payable	143,282	20,532	0	0
Capital Leases Payable	0	0	0	0
Deferred Revenue	921,195	47,855	129,348	18,273,321
Due to Students	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,630,188	206,765	129,348	18,305,271
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit)	0	0	0	0
<u>Fund Balance:</u>				
Reserved for Encumbrances	196,817	18,123	0	399,109
Reserved for Inventory	4,110	0	0	0
Reserved for Property Taxes	32,174	657	4,338	0
Reserved for Budget Stabilization	26,084	0	0	0
Reserved for School Bus Purchases	8,711	0	0	0
<u>Unreserved:</u>				
Designated for Textbooks and Capital Improvements	11,721	0	0	0
Undesignated	762,351	69,960	66,942	4,896,777
Total Fund Equity and Other Credits	1,041,968	88,740	71,280	5,295,886
Total Liabilities, Fund Equity and Other Credits	\$2,672,156	\$295,505	\$200,628	\$23,601,157

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$37	\$0	\$0	\$0	\$20,006
0	0	0	0	55,663
0	0	0	0	2,365
22,842	0	0	0	616,718
31,449	0	0	477,523	508,972
3,092	0	0	0	67,258
14,661	0	0	56,550	235,025
0	0	0	14,002	14,002
7,237	0	0	0	19,378,956
0	15,969	0	0	15,969
0	0	0	470,000	470,000
0	0	0	1,995,000	1,995,000
<u>79,318</u>	<u>15,969</u>	<u>0</u>	<u>3,013,075</u>	<u>23,379,934</u>
0	0	6,041,670	0	6,041,670
107,774	0	0	0	107,774
(131,092)	0	0	0	(131,092)
0	0	0	0	614,049
0	0	0	0	4,110
0	0	0	0	37,169
0	0	0	0	26,084
0	0	0	0	8,711
0	0	0	0	11,721
0	0	0	0	5,796,030
<u>(23,318)</u>	<u>0</u>	<u>6,041,670</u>	<u>0</u>	<u>12,516,226</u>
<u>\$56,000</u>	<u>\$15,969</u>	<u>\$6,041,670</u>	<u>\$3,013,075</u>	<u>\$35,896,160</u>

Frontier Local School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$926,772	\$21,702	\$187,337	\$0	\$1,135,811
Intergovernmental	4,468,029	852,820	17,600	3,078,203	8,416,652
Interest	144,649	0	0	212,624	357,273
Tuition and Fees	1,527	0	0	0	1,527
Extracurricular Activities	0	50,721	0	0	50,721
Miscellaneous	83,843	6,194	0	1,100	91,137
Total Revenues	5,624,820	931,437	204,937	3,291,927	10,053,121
<u>Expenditures:</u>					
<u>Current:</u>					
<u>Instruction:</u>					
Regular	2,473,510	204,859	0	0	2,678,369
Special	403,835	249,367	0	0	653,202
Vocational	205,068	30,000	0	0	235,068
Adult/Continuing	0	600	0	0	600
<u>Support Services:</u>					
Pupils	111,726	125,104	0	0	236,830
Instructional Staff	183,657	152,775	0	0	336,432
Board of Education	18,741	0	0	0	18,741
Administration	590,881	33,317	0	0	624,198
Fiscal	439,650	7,131	2,155	0	448,936
Business	163	0	0	0	163
Operation and Maintenance of Plant	766,585	23,862	0	0	790,447
Pupil Transportation	699,443	1,643	0	0	701,086
Central	0	6,200	0	0	6,200
Extracurricular Activities	48,197	49,056	0	0	97,253
Capital Outlay	74,062	0	0	936,531	1,010,593
<u>Debt Service:</u>					
Principal Retirement	12,931	0	91,000	0	103,931
Interest and Fiscal Charges	2,233	0	152,849	0	155,082
Total Expenditures	6,030,682	883,914	246,004	936,531	8,097,131
Excess of Revenues Over (Under) Expenditures	(405,862)	47,523	(41,067)	2,355,396	1,955,990
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	0	0	5,029	0	5,029
Proceeds from Sale of Fixed Assets	14,100	0	0	0	14,100
Operating Transfers Out	0	0	0	(5,029)	(5,029)
Total Other Financing Sources (Uses)	14,100	0	5,029	(5,029)	14,100
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(391,762)	47,523	(36,038)	2,350,367	1,970,090
Fund Balance at Beginning of Year	1,433,730	41,217	107,318	2,945,519	4,527,784
Fund Balance at End of Year	\$1,041,968	\$88,740	\$71,280	\$5,295,886	\$6,497,874

See accompanying notes to the general purpose financial statements

Frontier Local School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2001

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$890,434	\$955,708	\$65,274
Intergovernmental	4,013,403	4,407,160	393,757
Interest	131,558	144,539	12,981
Tuition and Fees	3,848	4,229	381
Extracurricular Activities	0	0	0
Miscellaneous	50,912	55,936	5,024
Total Revenues	5,090,155	5,567,572	477,417
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,589,343	2,541,447	47,896
Special	397,284	396,024	1,260
Vocational	204,492	204,246	246
Adult/Continuing	0	0	0
Support Services:			
Pupils	112,251	104,763	7,488
Instructional Staff	173,527	173,328	199
Board of Education	25,318	19,632	5,686
Administration	617,502	599,403	18,099
Fiscal	481,931	438,743	43,188
Business	513	13	500
Operation and Maintenance of Plant	839,281	795,328	43,953
Pupil Transportation	725,253	696,479	28,774
Central	0	0	0
Extracurricular Activities	119,611	108,623	10,988
Capital Outlay	83,914	83,498	416
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	6,370,220	6,161,527	208,693
Excess of Revenues Over (Under) Expenditures	(1,280,065)	(593,955)	686,110
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	28,760	30,967	2,207
Refund of Prior Year Receipts	(4,425)	0	4,425
Proceeds from Sale of Fixed Assets	12,834	14,100	1,266
Advances In	17,343	22,703	5,360
Advances Out	(46,163)	(42,128)	4,035
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	8,349	25,642	17,293
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,271,716)	(568,313)	703,403
Fund Balances at Beginning of Year	1,725,272	1,725,272	0
Prior Year Encumbrances Appropriated	195,502	195,502	0
Fund Balances (Deficits) at End of Year	\$649,058	\$1,352,461	\$703,403

Frontier Local School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Fiscal Year Ended June 30, 2001

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$0	\$22,632	\$22,632
Intergovernmental	380,661	805,279	424,618
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	62,894	50,743	(12,151)
Miscellaneous	14,006	5,994	(8,012)
Total Revenues	457,561	884,648	427,087
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	198,395	183,422	14,973
Special	334,505	251,552	82,953
Vocational	30,322	30,000	322
Adult/Continuing	635	635	0
Support Services:			
Pupils	135,507	126,967	8,540
Instructional Staff	194,460	147,975	46,485
Board of Education	0	0	0
Administration	57,459	34,043	23,416
Fiscal	8,181	7,131	1,050
Business	0	0	0
Operation and Maintenance of Plant	28,457	28,457	0
Pupil Transportation	1,647	1,647	0
Central	6,852	6,390	462
Extracurricular Activities	62,373	55,382	6,991
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	1,058,793	873,601	185,192
Excess of Revenues Over (Under) Expenditures	(601,232)	11,047	612,279
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	8,434	39,036	30,602
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	8,434	39,036	30,602
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(592,798)	50,083	642,881
Fund Balances at Beginning of Year	73,057	73,057	0
Prior Year Encumbrances Appropriated	5,390	5,390	0
Fund Balances (Deficits) at End of Year	(\$514,351)	\$128,530	\$642,881

(continued)

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$299,694	\$199,665	(\$100,029)	\$18,812	\$0	(\$18,812)
14,236	9,482	(4,754)	11,162,222	3,078,203	(8,084,019)
0	0	0	833,269	203,289	(629,980)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	4,509	1,100	(3,409)
<u>313,930</u>	<u>209,147</u>	<u>(104,783)</u>	<u>12,018,812</u>	<u>3,282,592</u>	<u>(8,736,220)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2,181	2,155	26	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,446,143	1,399,889	46,254
91,000	91,000	0	0	0	0
152,849	152,849	0	0	0	0
<u>246,030</u>	<u>246,004</u>	<u>26</u>	<u>1,446,143</u>	<u>1,399,889</u>	<u>46,254</u>
<u>67,900</u>	<u>(36,857)</u>	<u>(104,757)</u>	<u>10,572,669</u>	<u>1,882,703</u>	<u>(8,689,966)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	(22,703)	(22,703)	0
7,551	5,029	(2,522)	0	0	0
0	0	0	(5,335)	(5,029)	306
<u>7,551</u>	<u>5,029</u>	<u>(2,522)</u>	<u>(28,038)</u>	<u>(27,732)</u>	<u>306</u>
75,451	(31,828)	(107,279)	10,544,631	1,854,971	(8,689,660)
90,652	90,652	0	2,687,322	2,687,322	0
0	0	0	356,210	356,210	0
<u>\$166,103</u>	<u>\$58,824</u>	<u>(\$107,279)</u>	<u>\$13,588,163</u>	<u>\$4,898,503</u>	<u>(\$8,689,660)</u>

(continued)

Frontier Local School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Fiscal Year Ended June 30, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$1,208,940	\$1,178,005	(\$30,935)
Intergovernmental	15,570,522	8,300,124	(7,270,398)
Interest	964,827	347,828	(616,999)
Tuition and Fees	3,848	4,229	381
Extracurricular Activities	62,894	50,743	(12,151)
Miscellaneous	69,427	63,030	(6,397)
Total Revenues	17,880,458	9,943,959	(7,936,499)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,787,738	2,724,869	62,869
Special	731,789	647,576	84,213
Vocational	234,814	234,246	568
Adult/Continuing	635	635	0
Support Services:			
Pupils	247,758	231,730	16,028
Instructional Staff	367,987	321,303	46,684
Board of Education	25,318	19,632	5,686
Administration	674,961	633,446	41,515
Fiscal	492,293	448,029	44,264
Business	513	13	500
Operation and Maintenance of Plant	867,738	823,785	43,953
Pupil Transportation	726,900	698,126	28,774
Central	6,852	6,390	462
Extracurricular Activities	181,984	164,005	17,979
Capital Outlay	1,530,057	1,483,387	46,670
Debt Service:			
Principal Retirement	91,000	91,000	0
Interest and Fiscal Charges	152,849	152,849	0
Total Expenditures	9,121,186	8,681,021	440,165
Excess of Revenues Over (Under) Expenditures	8,759,272	1,262,938	(7,496,334)
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	28,760	30,967	2,207
Refund of Prior Year Receipts	(4,425)	0	4,425
Proceeds from Sale of Fixed Assets	12,834	14,100	1,266
Advances In	25,777	61,739	35,962
Advances Out	(68,866)	(64,831)	4,035
Operating Transfers In	7,551	5,029	(2,522)
Operating Transfers Out	(5,335)	(5,029)	306
Total Other Financing Sources (Uses)	(3,704)	41,975	45,679
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	8,755,568	1,304,913	(7,450,655)
Fund Balances at Beginning of Year	4,576,303	4,576,303	0
Prior Year Encumbrances Appropriated	557,102	557,102	0
Fund Balances (Deficits) at End of Year	\$13,888,973	\$6,438,318	(\$7,450,655)

See accompanying notes to the general purpose financial statement

Frontier Local School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2001

	Enterprise
<u>Operating Revenues:</u>	
Sales	\$147,350
Other	746
	148,096
<u>Operating Expenses:</u>	
Salaries and Wages	144,178
Fringe Benefits	79,741
Purchased Services	2,558
Materials and Supplies	41,143
Cost of Sales	133,437
Depreciation	5,560
Other	8,683
	415,300
Total Expenses	415,300
Operating Loss	(267,204)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	30,829
Loss on Disposal of Assets	(224)
Operating Grants	186,814
	217,419
Total Non-Operating Revenues	217,419
Net Loss	(49,785)
Retained Earnings (Deficit) at Beginning of Year	(81,307)
Retained Earnings (Deficit) at End of Year	(131,092)
Contributed Capital at Beginning and End of Year	107,774
Total Fund Equity (Deficit) at End of Year	(\$23,318)

See accompanying notes to the general purpose financial statements

Frontier Local School District, Ohio
 Combined Statement of Revenues, Expenses and Changes in
 Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2001

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Sales	\$156,027	\$147,350	(\$8,677)
Other	784	746	(38)
Operating Grants	196,902	186,814	(10,088)
Total Revenues	353,713	334,910	(18,803)
<u>Expenses:</u>			
Salaries and Wages	137,677	136,532	1,145
Fringe Benefits	77,928	77,928	0
Purchased Services	2,558	2,558	0
Materials and Supplies	142,972	142,959	13
Other	8,683	8,683	0
Total Expenses	369,818	368,660	1,158
Excess of Revenues Under Expenses before Advances	(16,105)	(33,750)	(17,645)
Advances In	3,299	3,092	(207)
Excess of Revenues Under Expenses After Advances	(12,806)	(30,658)	(17,852)
Fund Equity at Beginning of Year	26,607	26,607	0
Prior Year Encumbrances Appropriated	4,051	4,051	0
Fund Equity at End of Year	\$17,852	\$0	(\$17,852)

See accompanying notes to the general purpose financial statements

Frontier Local School District, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$147,350
Cash Payments to Suppliers for Goods and Services	(145,517)
Cash Payments for Employee Services	(136,532)
Cash Payments for Employee Benefits	(77,928)
Cash Received from Other Revenues	746
Cash Payments for Other Expenses	(8,683)
	<u>(220,564)</u>
<u>Net Cash Used in Operating Activities</u>	
<u>Cash Flows from Noncapital Financing Activities:</u>	
Advances In	3,092
Operating Grants Received	186,814
	<u>189,906</u>
<u>Net Cash Provided by Noncapital Financing Activities</u>	
Net Decrease in Cash and Cash Equivalents	(30,658)
Cash and Cash Equivalents at Beginning of Year	30,658
Cash and Cash Equivalents at End of Year	<u>\$0</u>
<u>Reconciliation of Operating Loss to</u>	
<u>Net Cash Used in Operating Activities:</u>	
Operating Loss	(\$267,204)
<u>Adjustments to Reconcile Operating Loss</u>	
<u>to Net Cash Used in Operating Activities:</u>	
Donated Commodities Used During Year	30,829
Depreciation Expense	5,560
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	1,594
Decrease in Prepaid Items	28
Increase in Materials and Supplies Inventory	(303)
Decrease in Inventory Held for Resale	67
Increase in Accounts Payable	37
Decrease in Accrued Wages and Benefits Payable	(3,871)
Increase in Compensated Absences Payable	10,746
Increase in Intergovernmental Payables	1,953
	<u>46,640</u>
<u>Total Adjustments</u>	
Net Cash Used in Operating Activities	<u>(\$220,564)</u>

See accompanying notes to the general purpose financial statements

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Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Frontier Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Frontier Local School District operates under a locally-elected board form of government and provides educational services as authorized by State and/or federal agencies. This board controls the School District's four instructional/support facilities staffed by 54 classified employees, 80 certificated full time teaching personnel, and 5 administrators, who provide services to 990 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Frontier 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 program's governing board and (1) the School District is able to significantly influence the programs of services performed or provided by the organization; or (2) the School District is legally entitled to or can access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in the Southeastern Ohio Voluntary Education Cooperative, the Washington County Joint Vocational School, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Frontier 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 issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

GOVERNMENTAL FUND TYPES:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) 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 for major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

PROPRIETARY FUND TYPE:

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

Enterprise Funds - Enterprise funds are used to account for operations 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.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

FIDUCIARY FUND TYPE:

The fiduciary fund type is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are all classified as agency funds. These 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 fund.

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 fund.

B. Measurement Focus and Basis of Accounting

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

All enterprise 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. Enterprise funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported 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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal 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.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal 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 is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 Washington 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 fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal 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 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the fund level. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. The Treasurer has been given the authority to allocate appropriations among functions and objects within a fund during the fiscal year. During the fiscal 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 fiscal 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 the proprietary fund type.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

The School District has a segregated bank account for athletic monies held separate from the School District's central bank account. This depository account is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury.

During fiscal year 2001, investments were limited to STAROhio, which is reported at fair value based on quoted market prices, and certificates of deposit, which are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. 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, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$144,649, which includes \$54,395 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 22 for additional information regarding set-asides.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

F. Inventory

Inventories of governmental funds are stated at cost while inventories of the proprietary fund 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 are 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 spendable resources even though it is a component of net current assets. Inventories of the proprietary fund consist of donated food, purchased food, and materials and supplies and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

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 fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not maintain any infrastructure.

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

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

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless whether they will be liquidated with current resources. However, claims and judgements, compensated absences, pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year end are considered not to have been paid using current available financial resources. Long-term loans, capital leases, and bonds are recognized as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by the proprietary fund operations are reported as liabilities in the appropriate funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves and Designations

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable 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 are established for encumbrances, inventory, school bus purchases, budget stabilization, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Fund balance designations have been established for textbooks and capital improvements. These designations represent the School District's intent to voluntarily spend these amounts on textbooks and capital improvements.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

N. Contributed Capital

Contributed capital represents resources from other funds and other governments provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end. No changes in contributed capital occurred during fiscal year 2001.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

O. 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.

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The implementation of these statements created no changes to previously reported balances.

The School District had a prior period restatement to the General Fixed Assets Account Group and Enterprise Fund for assets that were inadvertently not capitalized at June 30, 2000.

	<u>Enterprise</u>	<u>GFAAG</u>
Fund Balance at June 30, 2000	(\$154,446)	\$5,538,455
Restatement Amount	73,139	(382,810)
Adjusted Fund Balance at June 30, 2000	<u>(\$81,307)</u>	<u>\$5,155,645</u>

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 2001, the following Special Revenue Funds had deficit fund balances:

Disadvantaged Pupil Impact Aid	\$15,078
Title VI-R	\$13,017
Miscellaneous Federal Grants	\$4,797
Title I	\$311
Drug Free Schools	\$40

These deficits are primarily due to the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service and Uniform School Supplies Enterprise Funds had deficit retained earnings of \$130,081 and \$1,011, respectively. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

B. Legal Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Professional Development	\$574	\$7,008	\$6,434
EMIS	5,152	5,352	200
Extended Learning Opportunity	0	10,289	10,289
Other State Grants	27,263	100,580	73,317
Eisenhower Grant	4,186	11,252	7,066
Title I	84,692	349,069	264,347
Title VI	1,192	7,405	6,213
Drug Free Schools	168	5,486	5,318
Continuous Improvement Program	0	21,000	21,000
Title VI-R	5,092	53,429	48,337
Miscellaneous Federal Grants	31,541	237,706	206,165
Capital Projects Funds:			
Schoolnet	150	89,650	89,500
Onenet	0	12,000	12,000
Technology Equity	10,062	20,062	10,000
Interactive Video Distance Learning	0	34,142	34,142
Emergency School Building Repair	0	22,703	22,703

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$391,762)	\$47,523	(\$36,038)	\$2,350,367
Revenue Accruals	(26,391)	(46,789)	4,210	(9,335)
Expenditure Accruals	103,664	29,826	0	(43,360)
Unreported Cash	110	0	0	0
Prepaid Items	(59)	0	0	0
Encumbrances	(234,450)	(19,513)	0	(419,998)
Advances In	22,703	39,036	0	0
Advances Out	<u>(42,128)</u>	<u>0</u>	<u>0</u>	<u>(22,703)</u>
Budget Basis	<u>(\$568,313)</u>	<u>\$50,083</u>	<u>(\$31,828)</u>	<u>\$1,854,971</u>

Net Loss/Excess of Revenues Under Expenses
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	(\$49,785)
Expense Accruals	10,267
Prepaid Items	(28)
Materials and Supplies Inventory	303
Inventory Held for Resale	(67)
Depreciation Expense	5,560
Advances In	<u>3,092</u>
Budget Basis	<u>(\$30,658)</u>

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 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 the repayment of all public money 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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, 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.

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 fiscal year end, the carrying amount of the School District's deposits was \$7,135,461 and the bank balance was \$7,267,159. Of the bank balance, \$100,009 was covered by federal depository insurance and \$7,167,150 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 held to a successful claim by the FDIC.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at 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 for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The fair value of the investment in STAR Ohio at June 30, 2001, was \$2,241.

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$4,944,193	\$2,193,509
Certificate of Deposit	2,193,509	(2,193,509)
STAR Ohio	(2,241)	2,241
GASB Statement 3	\$7,135,461	\$2,241

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2001 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

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

	<u>2000 Second- Half Collections</u>		<u>2001 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$36,056,170	83%	\$36,405,910	85%
Public Utility	5,686,090	13%	5,169,380	12%
Tangible Personal Property	<u>1,816,890</u>	<u>4%</u>	<u>1,380,120</u>	<u>3%</u>
Total Assessed Value	<u>\$43,559,150</u>	<u>100%</u>	<u>\$42,955,410</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$40.40		\$38.60	

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2001, was \$32,174, \$657, and \$4,338 and is recognized as revenue in the General Fund, Classroom Maintenance Special Revenue Fund, and the Debt Service Fund, respectively. The amount available as an advance at June 30, 2000, \$61,110, \$1,587, and \$16,666, was recognized as revenue in the General Fund, Classroom Maintenance Special Revenue Fund, and the Debt Service Fund, respectively.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (billings for user charged services and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Homestead and Rollback	\$57,538
Miscellaneous Revenue	173
Total General Fund	<u>57,711</u>
Special Revenue Funds:	
Homestead and Rollback	1,230
Eisenhower Grant	707
Title VI-B	7,016
Title I	84,579
Title VI	4,124
Drug Free Schools	2,950
Title VI-R	15,521
Guidance Grant	2,582
School Resource Officer	7,350
Kids on Campus	939
Total Special Revenue Funds:	<u>126,998</u>
Debt Service Fund:	
Homestead and Rollback	<u>8,118</u>
Capital Projects Funds:	
Classroom Facilities	18,227,463
Ohio Schoolnet	45,858
Total Capital Projects Funds	<u>18,273,321</u>
Total Intergovernmental Receivables	<u>\$18,466,148</u>

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

On May 5, 2000, the School District was awarded \$22,047,124 for the construction of two new elementary buildings and improvements to one elementary and the high school building under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Historically, the School District repaid the State, if the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil, by levying an additional property tax of one-half mill for a twenty-three period. However, since the School District's adjusted valuation per pupil had been less than the state-wide median, in lieu of the repayment, the School District set-aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. Legislation effective September 14, 2000, eliminated any possibility that money received by the School District under this program will need to be repaid. As of the end of fiscal year 2001, the School District has received \$3,819,661 of the amount awarded under this program. The remaining amount of \$18,227,463 is recorded as a receivable and deferred revenue on the balance sheet.

NOTE 9 - FIXED ASSETS

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

Furniture and Equipment	\$163,962
Less: Accumulated depreciation	<u>(117,860)</u>
Net Fixed Assets	<u><u>\$46,102</u></u>

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

	Balance at 06/30/00	Additions	Reductions	Balance at 06/30/01
Land and Improvements	\$434,764	\$0	\$0	\$434,764
Buildings and Improvements	2,468,294	920	0	2,469,214
Furniture and Equipment	1,298,209	146,056	52,296	1,391,969
Vehicles	734,105	232,750	0	966,855
Construction in Progress	<u>220,273</u>	<u>558,595</u>	<u>0</u>	<u>778,868</u>
Total	<u><u>\$5,155,645</u></u>	<u><u>\$938,321</u></u>	<u><u>\$52,296</u></u>	<u><u>\$6,041,670</u></u>

NOTE 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 2001, the School District contracted with Barengo Insurance Agency for valuable papers, inland marine, property insurance, and boiler and machinery coverage. The policies include the following deductibles, respectively: \$100, \$250, \$500, and \$500.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
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Professional and general liability is protected by the Nationwide Insurance Company with a \$2,000,000 single occurrence limit and no deductible. Vehicles are covered by Republic Franklin Insurance Company and holds a \$100 deductible for comprehensive and a \$100 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent 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 and Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Frontier Local School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the 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, 2001, 2000, and 1999, were \$29,195, \$31,729, and \$62,063, respectively; 19.09 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 2001. \$23,621 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$165,527, \$137,730, and \$139,644, respectively; 78.88 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$34,954 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 funded 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 cost 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$220,703 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$82,610.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, and administrators who are contracted to work 260 days per year, earn vacation days at varying rates per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and qualifying administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 250 days for certified employees and up to 230 days for classified employees. Upon retirement, certified employees receive payment as follows: thirty percent of 150 days maximum for five to nine years of service; thirty percent of 250 days maximum for 10 or more years of service. Classified employees, upon retirement, receive payment for accumulated sick leave days as follows: 30 days maximum for five to nine years of service; 45 days maximum for 10 or more years of service.

B. Insurance Benefits

The School District provides major medical, health, and prescription coverage through Anthem Blue Cross and Blue Shield of Ohio. The School District pays monthly premiums of up to \$727.22 for family coverage and up to \$260.39 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Community National Assurance in the amount of \$25,000.

Dental coverage is provided through Core Source, Incorporated. Premiums for this coverage are \$33.92 monthly for family and \$15.74 for single coverage.

Vision coverage is provided through Vision Service Plan, Incorporated. Premiums for this coverage are \$15.68 for family coverage and \$6.93 for individual coverage.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 14 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had contractual commitments for school building renovations and construction with various vendors in the amount of \$1,005,212. As of June 30, 2001, the School District paid \$778,868 on the project and the remaining balance on the contracts is \$226,344. Nearly \$20,000,000 in contracts are yet to be awarded for school building renovations and construction.

NOTE 15 - LONG-TERM OBLIGATIONS

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

	<u>Outstanding</u> <u>06/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>06/30/01</u>
General Long-Term Obligations:				
Compensated Absences	\$414,077	\$81,101	\$17,655	\$477,523
General Obligation Bonds - 4.7%-6.0%	2,049,000	0	54,000	1,995,000
Capital Leases Payable	26,933	0	12,931	14,002
Energy Conservation Notes - 6%	507,000	0	37,000	470,000
Long-Term Pension Liability	<u>60,235</u>	<u>56,550</u>	<u>60,235</u>	<u>56,550</u>
Total Long-Term Obligations	<u>\$3,057,245</u>	<u>\$137,651</u>	<u>\$181,821</u>	<u>\$3,013,075</u>

Classroom Facilities General Obligation Bonds - In June 1, 2000, Frontier Local School District issued \$2,049,000 in voted general obligation bonds for constructing a new elementary and middle school and improvements to its high school facilities. The bonds were issued for a 23 year period with final maturity on December 1, 2022. The bonds will be retired from the Debt Service Fund.

Energy Conservation Loan - On December 12, 1996, the School District issued \$270,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2007. This note will be repaid with energy savings. The note liability is reflected in the general long-term obligations account group. The Capital Improvement Capital Projects Fund received the proceeds.

Energy Conservation Loan - On June 1, 2000, the School District issued \$302,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a fifteen year period with final maturity during fiscal year 2014. This note will be repaid with energy savings. The note liability is reflected in the general long-term obligations account group. The Capital Improvement Capital Projects Fund received the proceeds.

Compensated absences and long-term pension obligations will be paid from the fund which the employees' salaries are paid. The capital lease payable is for the purchase of a copier and will be paid from General Fund revenues.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$20,000	\$121,780	\$141,780
2003	30,000	120,517	150,517
2004	30,000	118,958	148,958
2005	35,000	117,243	152,243
2006	45,000	115,111	160,111
2007 - 2023	<u>1,835,000</u>	<u>1,189,131</u>	<u>3,024,131</u>
Total	<u>\$1,995,000</u>	<u>\$1,782,740</u>	<u>\$3,777,740</u>

Principal and interest requirements to retire the Energy Conservation Notes outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$40,000	\$27,000	\$67,000
2003	41,000	24,570	65,570
2004	45,000	21,990	66,990
2005	47,000	19,230	66,230
2006	51,000	16,290	67,290
2007 - 2014	<u>246,000</u>	<u>63,060</u>	<u>309,060</u>
Total	<u>\$470,000</u>	<u>\$172,140</u>	<u>\$642,140</u>

The School District's overall legal debt margin was \$1,942,267, with an unvoted debt margin of \$42,955 at June 30, 2001.

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of a copier has been capitalized in the general fixed assets account group in the amount of \$54,038. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$12,931 in the General Fund.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	
2002	\$15,163
Less: Amount Representing Interest	<u>(1,161)</u>
Present Value of Net Minimum Lease	<u><u>\$14,002</u></u>

NOTE 17 - INTERFUND ACTIVITY

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	<u>\$67,258</u>	<u>\$0</u>
Special Revenue Funds:	0	
Athletic and Music	0	2,486
Professional Development Grant	0	454
Title VI-B	0	4,377
Title I	0	37,424
Title VI	0	682
Drug Free Schools	0	39
Title VI-R	0	2,771
Miscellaneous Federal Grants	<u>0</u>	<u>15,933</u>
Total Special Revenues Funds	<u>0</u>	<u>64,166</u>
Enterprise Funds:		
Food Service	0	2,081
Uniform School Supplies	<u>0</u>	<u>1,011</u>
Total Enterprise Funds	<u>0</u>	<u>3,092</u>
Total	<u><u>\$67,258</u></u>	<u><u>\$67,258</u></u>

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

	<u>Food Service</u>	<u>School Supplies</u>	<u>Total</u>
Operating Revenues	\$124,970	\$23,126	\$148,096
Depreciation Expense	5,560	0	5,560
Operating Loss	(254,415)	(12,789)	(267,204)
Donated Commodities	30,829	0	30,829
Operating Grants	176,625	10,189	186,814
Net Loss	(47,185)	(2,600)	(49,785)
Fixed Asset Disposals	3,456	0	3,456
Net Working Capital	(36,960)	(1,011)	(37,971)
Total Assets	56,000	0	56,000
Long-Term Liabilities Paid From Fund Revenues	31,449	0	31,449
Total Equity	(22,307)	(1,011)	(23,318)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Education Cooperative - SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium 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. SEOVEC has 33 participants consisting of 24 school districts and 9 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

Washington County Joint Vocational School - The Washington County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Washington County Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Joint Vocational School, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition.

NOTE 20 - INSURANCE PURCHASING POOL

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

NOTE 21 - STATE SCHOOL FUNDING DECISION

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 27, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 22 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside an amount based on prior fiscal year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Amounts are also to be set aside as a budget stabilization reserve.

The following information describes any changes in the amounts set-aside for textbooks and instructional materials, capital improvements, and budget stabilization from the end of the prior year to the end of the current fiscal year.

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2000	\$60,286	\$0	(\$22,924)
Reduction in Budget Stabilization Based on Statutory Revision	(34,202)	0	0
Current Year Set-aside Requirement	0	99,820	99,820
Qualifying Disbursements	0	(287,551)	(126,862)
Total	\$26,084	(\$187,731)	(\$49,966)
Set-aside Balance Carried Forward to Future Fiscal Years	\$26,084	\$0	(\$49,966)
Set-aside Reserve Balance as of June 30, 2001	\$26,084	\$0	\$0

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years. The School District also has \$2,669,569 in qualifying offsets available to them that may be used to reduce the set-aside requirement in future fiscal years for capital improvements.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 23 - 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 requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The Frontier Local School District is currently not party to any litigation.

FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster						
Food Distribution Program	10.550	N/A	\$0	\$34,163	\$0	\$30,829
School Breakfast Program	10.553	050492-05-PU-0000-00/01	38,615		38,615	
National School Lunch Program	10.555	050492-LL-P1/P4-0000-00/01	127,264		127,264	
Total United States Department of Agriculture - Nutrition Cluster			165,879	34,163	165,879	30,829
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	050492-C1S1-00/01	251,040		269,964	
Special Education Grants to States (IDEA Part B)	84.027	050492-6B-SF-00/01	81,625		64,865	
Drug Free Schools and Communities Act	84.186	050492-DR-S1-00/01	2,368		2,575	
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	050492-G2-S2-00	21,000		9,236	
Eisenhower Professional Development Grant	84.281	050492-MS-S1-00/01	6,359		7,217	
Innovative Education Program Strategies	84.298	050492-C2-S1-99C/00/01	2,771		3,203	
Title VI of ESEA - Class Size Reduction	84.340	050492-CR-S1-00/01	45,566		53,429	
Total United States Department of Education			410,729		410,489	
Total Federal Awards Receipts and Expenditures			\$576,608	\$34,163	\$576,368	\$30,829

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had significant food commodities in inventory.

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

Frontier Local School District
Washington County
Route 3, Box 134
New Matamoras, Ohio 45767

To Members of the Board:

We have audited the general purpose financial statements of the Frontier Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-11007-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated February 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over general purpose financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 27, 2002.

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

This report is intended for the information and use of the 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

February 27, 2002



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

Frontier Local School District
Washington County
Route 3, Box 134
New Matamoras, Ohio 45767

To the Members of the Board:

Compliance

We have audited the compliance of the Frontier Local School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The School District's major federal programs are 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 each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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

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

February 27, 2002

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	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 Education Agencies - CFDA #84.010 Title VI-R, Class Size Reduction - CFDA #84.340
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)

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

FINDING NUMBER 2001-110840-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed the total of the estimated resources.

At year end, there was a timing issue concerning the approvals of supplemental appropriations and certificate of estimated resources. Therefore, the following is a list of funds which had appropriations in excess of estimated resources during the fiscal year:

<u>Fund Type/Fund</u>	<u>Appropriations in Excess of Estimated Revenue</u>
Special Revenue Funds:	
Professional Development	\$6,434
EMIS	\$200
Extended Learning Opportunity	\$10,289
Other State Grant	\$73,317
Eisenhower Grant	\$7,066
Title I	\$264,347
Title VI	\$ 6,213
Drug Free Schools	\$5,318
Continuous Improvement Program	\$21,000
Title VI-R	\$48,337
Miscellaneous Federal Grants	\$206,165
Capital Projects Funds:	
Schoolnet	\$89,500
Onenet	\$12,000
Technology Equity	\$10,000
Interactive Video Distance Learning	\$34,142
Emergency School Building Repair	\$22,703

We recommend the School District obtain the Board of Education's approval for supplemental appropriations before the end of the fiscal year. In addition, any changes to the Certificate of Estimated Resources should be approved by the County Budget Commission before the end of the fiscal year.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-11084-001	The revenue ledger should reflect estimated revenue as specified on the Amended Certificate of Estimated Resources and the appropriation ledger should be in agreement with the legislatively approved amounts.	Yes	N/A

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-11007-001	The District will obtain the Board of Education's approval before fiscal year-end for any supplemental appropriation measures. The District will obtain the County Budget Commission's approval before fiscal year-end for any changes to the Certificate of Estimated Resources.	6/30/02	Dave Combs, Treasurer



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FRONTIER LOCAL SCHOOL DISTRICT

WASHINGTON 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
APRIL 2, 2002**