



**Auditor of State  
Betty Montgomery**



**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Fort Frye Local School District  
Washington County  
P.O. Box 1149  
Beverly, Ohio 45715

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fort Frye Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2003, 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 Fort Frye Local School District, Washington County, as of June 30, 2003, 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 December 1, 2003, 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.

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. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 1, 2003

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Fort Frye Local School District, Ohio  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debit:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,772,722	\$199,987	\$679,996
Receivables:			
Taxes	2,816,153	0	501,111
Accounts	4,083	327	0
Intergovernmental	4,183	145,206	23
Interfund	167,682	0	0
Prepaid Items	19,130	0	48
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	35,752	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
 <u>Other Debit:</u>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debit	 \$4,819,705	 \$345,520	 \$1,181,178



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$2,462	\$22,349	\$0	\$0	\$2,677,516
0	0	0	0	3,317,264
0	0	0	0	4,410
22,055	0	0	0	171,467
0	0	0	0	167,682
0	0	0	0	19,178
5,413	0	0	0	5,413
618	0	0	0	618
0	0	0	0	35,752
113,386	0	11,297,507	0	11,410,893
0	0	0	1,352,128	1,352,128
<u>\$143,934</u>	<u>\$22,349</u>	<u>\$11,297,507</u>	<u>\$1,352,128</u>	<u>\$19,162,321</u>

(continued)

Fort Frye Local School District, Ohio  
 Combined Balance Sheet  
 All Fund Types and Account Groups (Continued)  
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$65,959	\$19,081	\$7,950
Contracts Payable	0	0	95,891
Accrued Wages and Benefits Payable	664,878	76,305	0
Compensated Absences Payable	24,836	0	0
Retainage Payable	0	0	5,410
Interfund Payable	0	10,939	131,989
Intergovernmental Payable	135,010	15,537	0
Deferred Revenue	2,790,637	80,124	495,510
Due to Students	0	0	0
Special Termination Benefits Payable	0	0	0
Notes Payable	0	0	0
	<u>3,681,320</u>	<u>201,986</u>	<u>736,750</u>
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings (Deficit)	0	0	0
<u>Fund Balance:</u>			
Reserved for Encumbrances	68,711	46,335	416,359
Reserved for Property Taxes	25,410	0	5,578
Reserved for School Bus Purchase	35,752	0	0
<u>Unreserved:</u>			
Undesignated	1,008,512	97,199	22,491
	<u>1,138,385</u>	<u>143,534</u>	<u>444,428</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,819,705</u>	<u>\$345,520</u>	<u>\$1,181,178</u>

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			
\$212	\$0	\$0	\$0	\$93,202
0	0	0	0	95,891
32,726	0	0	0	773,909
13,608	0	0	821,357	859,801
0	0	0	0	5,410
24,754	0	0	0	167,682
17,211	0	0	65,479	233,237
0	0	0	0	3,366,271
0	22,349	0	0	22,349
0	0	0	15,292	15,292
0	0	0	450,000	450,000
<u>88,511</u>	<u>22,349</u>	<u>0</u>	<u>1,352,128</u>	<u>6,083,044</u>
0	0	11,297,507	0	11,297,507
148,181	0	0	0	148,181
(92,758)	0	0	0	(92,758)
0	0	0	0	531,405
0	0	0	0	30,988
0	0	0	0	35,752
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,128,202</u>
<u>55,423</u>	<u>0</u>	<u>11,297,507</u>	<u>0</u>	<u>13,079,277</u>
<u>\$143,934</u>	<u>\$22,349</u>	<u>\$11,297,507</u>	<u>\$1,352,128</u>	<u>\$19,162,321</u>

Fort Frye 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, 2003

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<u>Revenues:</u>				
Taxes	\$2,864,550	\$0	\$502,644	\$3,367,194
Intergovernmental	4,848,988	703,381	103,175	5,655,544
Interest	62,945	63	0	63,008
Tuition and Fees	37,046	1,364	0	38,410
Extracurricular Activities	0	149,909	0	149,909
Miscellaneous	28,260	25,795	0	54,055
<b>Total Revenues</b>	<b>7,841,789</b>	<b>880,512</b>	<b>605,819</b>	<b>9,328,120</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,180,435	80,510	0	3,260,945
Special	382,109	342,536	0	724,645
Vocational	230,595	0	0	230,595
Other	239,827	0	0	239,827
Support Services:				
Pupils	260,572	12,297	0	272,869
Instructional Staff	326,788	141,772	0	468,560
Board of Education	51,090	0	0	51,090
Administration	838,194	2,729	0	840,923
Fiscal	289,696	1,271	0	290,967
Operation of Plant	819,458	0	0	819,458
Pupil Transportation	648,345	0	0	648,345
Central	86,475	31,812	0	118,287
Operation of Non-Instructional Services	0	81,769	0	81,769
Extracurricular Activities	106,074	124,940	0	231,014
Capital Outlay	44,816	0	710,668	755,484
Refund of Property Taxes	20,693	0	0	20,693
Debt Service:				
Principal Retirement	0	0	259,665	259,665
Interest and Fiscal Charges	0	0	14,522	14,522
<b>Total Expenditures</b>	<b>7,525,167</b>	<b>819,636</b>	<b>984,855</b>	<b>9,329,658</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>316,622</b>	<b>60,876</b>	<b>(379,036)</b>	<b>(1,538)</b>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	5,296	0	0	5,296
Operating Transfers In	0	7,949	35,501	43,450
Operating Transfers Out	(43,450)	0	0	(43,450)
<b>Total Other Financing Sources (Uses)</b>	<b>(38,154)</b>	<b>7,949</b>	<b>35,501</b>	<b>5,296</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>278,468</b>	<b>68,825</b>	<b>(343,535)</b>	<b>3,758</b>
<b>Fund Balances at Beginning of Year - Restated Note 3</b>	<b>859,917</b>	<b>74,709</b>	<b>787,963</b>	<b>1,722,589</b>
<b>Fund Balances at End of Year</b>	<b>\$1,138,385</b>	<b>\$143,534</b>	<b>\$444,428</b>	<b>\$1,726,347</b>

See accompanying notes to the general purpose financial statements

Fort Frye 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, 2003

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$2,841,669	\$2,862,362	\$20,693
Intergovernmental	4,805,206	4,805,206	0
Interest	62,302	62,987	685
Tuition and Fees	30,101	30,101	0
Extracurricular Activities	0	0	0
Miscellaneous	10,278	10,278	0
<b>Total Revenues</b>	<b>7,749,556</b>	<b>7,770,934</b>	<b>21,378</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,142,008	3,142,008	0
Special	379,612	379,612	0
Vocational	229,325	229,325	0
Other	239,827	239,827	0
Support Services:			
Pupils	260,657	260,657	0
Instructional Staff	332,868	332,868	0
Board of Education	69,919	69,919	0
Administration	830,464	830,464	0
Fiscal	292,057	292,057	0
Operation of Plant	847,067	847,067	0
Pupil Transportation	681,776	681,776	0
Central	82,708	82,708	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	105,291	105,291	0
Capital Outlay	48,844	48,844	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>7,542,423</b>	<b>7,542,423</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>207,133</b>	<b>228,511</b>	<b>21,378</b>
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	68,953	68,953	0
Refund of Prior Year Receipts	0	(20,693)	(20,693)
Proceeds from Sale of Fixed Assets	5,296	5,296	0
Operating Transfers In	0	0	0
Operating Transfers Out	(43,450)	(43,450)	0
Advances In	18,706	18,706	0
Advances Out	(151,348)	(151,348)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(101,843)</b>	<b>(122,536)</b>	<b>(20,693)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>105,290</b>	<b>105,975</b>	<b>685</b>
Fund Balances at Beginning of Year	1,470,000	1,470,000	0
Prior Year Encumbrances Appropriated	88,459	88,459	0
<b>Fund Balances at End of Year</b>	<b>\$1,663,749</b>	<b>\$1,664,434</b>	<b>\$685</b>

(continued)

Fort Frye 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, 2003

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	642,432	642,432	0
Interest	59	63	4
Tuition and Fees	1,364	1,364	0
Extracurricular Activities	149,909	149,909	0
Miscellaneous	25,639	25,639	0
<b>Total Revenues</b>	<b>819,403</b>	<b>819,407</b>	<b>4</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	80,014	80,014	0
Special	354,817	354,817	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	14,547	14,547	0
Instructional Staff	148,277	148,277	0
Board of Education	0	0	0
Administration	2,830	2,830	0
Fiscal	1,268	1,268	0
Operation of Plant	0	0	0
Pupil Transportation	0	0	0
Central	39,607	39,607	0
Operation of Non-Instructional Services	106,413	106,413	0
Extracurricular Activities	131,867	131,867	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>879,640</b>	<b>879,640</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(60,237)	(60,233)	4
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	4,901	4,901	0
Refund of Prior Year Receipts	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfers In	7,949	7,949	0
Operating Transfers Out	0	0	0
Advances In	10,939	10,939	0
Advances Out	(11,973)	(11,973)	0
<b>Total Other Financing Sources (Uses)</b>	<b>11,816</b>	<b>11,816</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(48,421)	(48,417)	4
Fund Balances at Beginning of Year	166,071	166,071	0
Prior Year Encumbrances Appropriated	17,424	17,424	0
<b>Fund Balances at End of Year</b>	<b>\$135,074</b>	<b>\$135,078</b>	<b>\$4</b>

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$502,198	\$502,198	\$0	\$3,343,867	\$3,364,560	\$20,693
103,268	103,268	0	5,550,906	5,550,906	0
0	0	0	62,361	63,050	689
0	0	0	31,465	31,465	0
0	0	0	149,909	149,909	0
0	0	0	35,917	35,917	0
<u>605,466</u>	<u>605,466</u>	<u>0</u>	<u>9,174,425</u>	<u>9,195,807</u>	<u>21,382</u>
62,301	62,301	0	3,284,323	3,284,323	0
0	0	0	734,429	734,429	0
0	0	0	229,325	229,325	0
0	0	0	239,827	239,827	0
0	0	0	275,204	275,204	0
0	0	0	481,145	481,145	0
0	0	0	69,919	69,919	0
0	0	0	833,294	833,294	0
15,814	15,814	0	309,139	309,139	0
0	0	0	847,067	847,067	0
25,466	25,466	0	707,242	707,242	0
0	0	0	122,315	122,315	0
0	0	0	106,413	106,413	0
0	0	0	237,158	237,158	0
1,119,902	1,119,902	0	1,168,746	1,168,746	0
259,665	259,665	0	259,665	259,665	0
14,522	14,522	0	14,522	14,522	0
<u>1,497,670</u>	<u>1,497,670</u>	<u>0</u>	<u>9,919,733</u>	<u>9,919,733</u>	<u>0</u>
<u>(892,204)</u>	<u>(892,204)</u>	<u>0</u>	<u>(745,308)</u>	<u>(723,926)</u>	<u>21,382</u>
0	0	0	73,854	73,854	0
0	0	0	0	(20,693)	(20,693)
0	0	0	5,296	5,296	0
35,501	35,501	0	43,450	43,450	0
0	0	0	(43,450)	(43,450)	0
131,989	131,989	0	161,634	161,634	0
0	0	0	(163,321)	(163,321)	0
<u>167,490</u>	<u>167,490</u>	<u>0</u>	<u>77,463</u>	<u>56,770</u>	<u>(20,693)</u>
(724,714)	(724,714)	0	(667,845)	(667,156)	689
305,685	305,685	0	1,941,756	1,941,756	0
<u>573,415</u>	<u>573,415</u>	<u>0</u>	<u>679,298</u>	<u>679,298</u>	<u>0</u>
<u>\$154,386</u>	<u>\$154,386</u>	<u>\$0</u>	<u>\$1,953,209</u>	<u>\$1,953,898</u>	<u>\$689</u>

Fort Frye Local School District, Ohio  
 Combined Statement of Revenues,  
 Expenses and Changes in Retained Earnings  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 2003

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$243,935
Tuition	321
	<u>244,256</u>
 <u>Operating Expenses:</u>	
Salaries	142,078
Fringe Benefits	111,194
Purchased Services	3,919
Materials and Supplies	30,531
Cost of Sales	172,829
Depreciation	2,146
	<u>462,697</u>
Total Operating Expenses	<u>462,697</u>
Operating Loss	<u>(218,441)</u>
 <u>Non-Operating Revenues (Expenses):</u>	
Federal Donated Commodities	52,080
Operating Grants	164,320
	<u>216,400</u>
Total Non-Operating Revenues (Expenses)	<u>216,400</u>
Net Loss	(2,041)
Retained Earnings (Deficit) at Beginning of Year - Restated Note 3	<u>(90,717)</u>
Retained Earnings (Deficit) at End of Year	<u>(\$92,758)</u>

See accompanying notes to the general purpose financial statements



Fort Frye 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, 2003

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$243,935	\$243,935	\$0
Tuition	321	321	0
Operating Grants	142,265	142,265	0
<b>Total Revenues</b>	<b>386,521</b>	<b>386,521</b>	<b>0</b>
<u>Expenses:</u>			
Salaries	139,805	139,805	0
Fringe Benefits	108,839	108,839	0
Purchased Services	3,833	3,833	0
Materials and Supplies	149,013	149,013	0
Capital Outlay	8,695	8,695	0
<b>Total Expenses</b>	<b>410,185</b>	<b>410,185</b>	<b>0</b>
Excess of Revenues Under Expenses	(23,664)	(23,664)	0
Advances In	8,420	8,420	0
Advances Out	(6,733)	(6,733)	0
Excess of Revenues and Advances Under Expenses	(21,977)	(21,977)	0
Fund Equity at Beginning of Year	21,473	21,473	0
Prior Year Encumbrances Appropriated	2,716	2,716	0
<b>Fund Equity at End of Year</b>	<b>\$2,212</b>	<b>\$2,212</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements

Fort Frye Local School District, Ohio  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 2003

	<u>Enterprise</u>
<u>Increase (Decrease) in</u>	
<u>Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$243,935
Cash Received from Tuition Payments	321
Cash Payments to Suppliers for Goods and Services	(152,596)
Cash Payments for Employee Services	(139,805)
Cash Payments for Employee Benefits	<u>(108,839)</u>
Net Cash Used for Operating Activities	<u>(156,984)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Advances In	8,420
Advances Out	(6,733)
Operating Grants Received	<u>142,265</u>
Net Cash Provided by Noncapital Financing Activities	<u>143,952</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>(8,695)</u>
Net Decrease in Cash and Cash Equivalents	(21,727)
Cash and Cash Equivalents at Beginning of Year	<u>24,189</u>
Cash and Cash Equivalents at End of Year	<u><u>\$2,462</u></u>
Reconciliation of Operating Loss to	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	<u>(\$218,441)</u>
Adjustments to Reconcile Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Depreciation	2,146
Donated Commodities Used During Year	58,122
Changes in Assets and Liabilities:	
Decrease in Prepaid Items	92
Increase in Inventory Held for Resale	(3,773)
Decrease in Materials and Supplies Inventory	30
Increase in Accounts Payable	212
Decrease in Accrued Wages and Benefits Payable	(298)
Increase in Compensated Absences Payable	2,565
Increase in Intergovernmental Payable	<u>2,361</u>
Total Adjustments	<u>61,457</u>
Net Cash Used for Operating Activities	<u><u>(\$156,984)</u></u>

Non-Cash Transactions: During fiscal year 2003, the School District received \$52,080 in donated commodities.

See accompanying notes to the general purpose financial statements

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Fort Frye 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 School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 90 classified employees, 86 certified teaching personnel, and 8 administrators, who provide services to 1,217 students and other community members.

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

*Parochial School* - Within the School District boundaries, St. John Central Elementary School is operated through the Steubenville Catholic Diocese. The State provides funding for this nonpublic school. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the School District, as directed by the nonpublic school. This financial activity is reflected in a special revenue fund for reporting purposes.

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

The School District participates in the Southeast Ohio Voluntary Educational Consortium, the Washington County Career Center, the Southeastern Ohio Voluntary Education Cooperative, 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 Program, an insurance purchasing pool. These organizations are presented in Notes 17 and 18.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

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

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

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

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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*Proprietary Fund Types:*

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

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

*Fiduciary Fund Types:*

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

*Account Groups:*

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

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

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

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

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

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

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and 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, interest, tuition, grants, student fees, and rentals.

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, 2003, but which were levied to finance fiscal year 2004 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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

### **C. Budgetary Process**

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

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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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. The Treasurer has the authority to allocate appropriations at the function and object level without resolution by the Board.

*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 amended certificate which was in effect at the time the final appropriations were passed by the Board.

*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. 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 legal level of control. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

During the 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 passed during the fiscal year, including all supplemental appropriations. Prior to fiscal year end, the School District passed an appropriation resolution equal to actual expenditures/expenses for the year. 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.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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*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-fiscal year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds 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.

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 amounted to \$62,945, which includes \$17,779 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 are unexpended grants restricted for the purchase of school buses.

**F. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of purchased food and supplies and are expensed when used.



Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal 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 the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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 five hundred dollars. The School District does not have 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. Depreciation in the enterprise funds is computed using the straight-line method over an estimated useful life of seventy-five years for furniture and equipment and twenty-five years for vehicles. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**I. Interfund Assets/Liabilities**

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

**J. Compensated Absences**

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

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

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, 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 fiscal year end are considered not to have been paid using current available financial resources. Long-term loans are recognized as a liability of the general long-term obligations account group until due.

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

**L. Interfund Transactions**

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**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Contributed Capital**

Contributed capital represents resources provided from other governments, private sources, and other funds to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end. Future contributions of capital, other than amounts received from other funds, will be recorded as revenues and reported as increases to retained earnings.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**O. Estimates**

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

**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 – RESTATEMENT OF PRIOR YEAR BALANCES**

The General Fixed Assets Account Group was overstated by \$7,976 as of June 30, 2002. The Account Group's balance at June 30, 2002, decreased from \$10,554,222 to \$10,546,246. Accumulated depreciation reported at June 30, 2002, was overstated by \$78,505 in the Enterprise Funds. Retained earnings previously reported were increased from (\$169,222) to (\$90,707).

Also in the prior year, a \$600,000 tax anticipation note had been recorded as a fund obligation in the Capital Projects Funds by mistake. Because of this mistake, notes and accrued interest payables were overstated in the Capital Projects Funds. The June 30, 2002, fund balance increased from \$180,854 to \$787,963. This restatement increased the General Long-term Obligations Account Group's balance by \$600,000 as of June 30, 2002. The Account Group's balance at June 30, 2002, increased from \$924,743 to \$1,524,743.

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2003, the Education Management Information System and Title I Special Revenue Funds had deficit fund balances of \$2,347 and \$5,273, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Lunchroom and Uniform School Supplies Enterprise Funds had deficit retained earnings of \$93,591 and \$546, respectively, at June 30, 2003. The deficit is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**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 type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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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>Capital Projects</u>
GAAP Basis	\$278,468	\$68,825	(\$343,535)
Revenue Accruals	(1,944)	(56,204)	(353)
Expenditure Accruals	109,606	4,905	9,948
Unreported Cash:			
Beginning of Fiscal Year	72	0	0
Ending of Fiscal Year	(30)	0	0
Prepaid Items:			
Beginning of Fiscal Year	15,585	0	2,895
Ending of Fiscal Year	(19,130)	0	(48)
Advances In	18,706	10,939	131,989
Advances Out	(151,348)	(11,973)	0
Encumbrances	<u>(144,010)</u>	<u>(64,909)</u>	<u>(525,610)</u>
Budget Basis	<u>\$105,975</u>	<u>(\$48,417)</u>	<u>(\$724,714)</u>

Net Loss/Excess of Revenues Under Expenses  
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	(\$2,041)
Revenue Accruals	(22,055)
Expense Accruals	7,139
Prepaid Items at Beginning of Year	92
Capital Outlay	(8,695)
Advances In	8,420
Advances Out	(6,733)
Depreciation Expense	2,146
Encumbrances	<u>(250)</u>
Budget Basis	<u>(\$21,977)</u>

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**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 five 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;

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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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);
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, corporate debt interest 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.

*Cash on Hand* At fiscal year end, the School District did not have any undeposited cash on hand.

The following information classifies deposits 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 \$2,713,268 and the bank balance was \$2,771,679. Of the bank balance, \$171,023 was covered by federal depository insurance and \$2,600,656 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.

#### **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 (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Washington, Morgan, and Noble Counties. The Washington County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The School District did not receive its trailer tax before the end of the fiscal year. The late settlement is recorded in the General Fund and Permanent Improvement Capital Projects Fund in the amount of \$106 and \$23, respectively.

The amount available as an advance at June 30, 2003, was \$25,410 in the General Fund, and \$5,578 in the Permanent Improvements Capital Projects Fund. The amount available as an advance at June 30, 2002, was \$23,328 in the General Fund, and \$5,155 in the Permanent Improvements Capital Projects Fund.

The assessed values upon which fiscal year 2003 taxes were collected in Washington County are:



Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$69,011,340	63%	\$72,578,310	62%
Public Utility Personal	36,600,330	33%	38,636,070	33%
Tangible Personal Property	3,843,550	4%	5,032,750	5%
	\$109,455,220	100%	\$116,247,130	100%

Tax Rate per \$1,000 of Assessed Valuation	\$40.50	\$40.50
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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, accounts (rent, 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 fiscal 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	\$106
Miscellaneous	4,077
Total General Fund	4,183
Special Revenue Funds:	
IDEA-B	28,532
Title II-A	36,025
Title II-D	6,237
Title I	57,769
E-Rate	12,081
Drug Free Grant	4,562
Total Special Revenue Funds	145,206
Capital Projects Fund: Homestead and Rollback	23
Enterprise Fund: National School Lunch	22,055
Total Intergovernmental Receivables	\$171,467

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 9 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$160,922
Vehicles	5,000
Total Assets	<u>165,922</u>
Less Accumulated Depreciation	<u>(52,536)</u>
Net Fixed Assets	<u><u>\$113,386</u></u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/03</u>
Land and Improvements	\$780,566	\$356,710	\$8,912	\$1,128,364
Buildings	5,296,017	250,526	0	5,546,543
Furniture and Equipment	2,979,158	202,725	35,656	3,146,227
Vehicles	1,380,103	18,523	21,570	1,377,056
Construction in Progress	<u>110,402</u>	<u>99,317</u>	<u>110,402</u>	<u>99,317</u>
Totals	<u><u>\$10,546,246</u></u>	<u><u>\$927,801</u></u>	<u><u>\$176,540</u></u>	<u><u>\$11,297,507</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 2003, the School District contracted with Barengo Insurance Agency, Inc. for building and business personal property insurance.

General liability is protected by the Selective Insurance Company with a \$2,000,000 single occurrence limit with a \$4,000,000 aggregate and no deductible. Employee benefit liability is also protected by the Selective Insurance Company with a \$2,000,000 single occurrence and a \$4,000,000 aggregate with a \$1,000 deductible. The School District also has stop gap and umbrella liability coverage with Selective Insurance Company. The stop gap coverage is limited to \$1,000,000 for each accident/disease, the umbrella liability is limited to \$3,000,000 coverage and the errors and omissions liability has a \$1,000,000 single occurrence limit with a \$1,000,000 aggregate and a \$5,000 deductible. Vehicles are covered by Barengo Insurance Agency, Inc. and have a \$1,000 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.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001, were \$464,262, \$328,907, and \$202,430, respectively; 85.51 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$651 made by the School District and \$641 made by the plan members.

**B. School Employees Retirement System**

The 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 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$116,289, \$68,641 and \$39,461, respectively; 60.73 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, no members of the Board of Education have elected Social Security.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 12 - POST-EMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$35,712 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits during the 2003 fiscal year equaled \$107,274.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**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 ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers 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 195 days for certified employees and 200 days for classified employees and could be accumulated up to 210 days under certain circumstances for all employees. Upon retirement, certificated employees receive payment for one-half of unused accumulated sick days up to a maximum as follows: 33 days for one to ten years of service; 48 days for 11 to 20 years of service, 56 days for 21 to 25 years of service, and 60 days for 26 or more years of service. Four days will be added if the average sick leave absence rate for the employee is five days or less for the last three years. Classified employees, upon retirement, receive payment for one-half of unused accumulated sick days up to a maximum as follows: 50 days for six to ten years of service; 60 days for 11 to 19 years of service; and 75 days for 20 or more years of service.

**B. Insurance Benefits**

The School District provides health and major medical insurance for all eligible employees. The School District pays monthly premiums of up to \$769.90 for family coverage and up to \$314.24 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The School District also provides prescription drug insurance to its employees through Medical Mutual of Ohio. This plan utilizes a \$4 per prescription deductible for name brands and no deductible for generic brands.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company in the amount of \$25,000 for its employees.

Dental coverage is provided through Delta Plan of Ohio. Premiums for this coverage are \$41.80 monthly for family and \$15.48 for single coverage.

**NOTE 14 - CONTRACTUAL COMMITMENT**

As of June 30, 2003, the School District had contractual purchase commitments for the paving of parking lots. The contracts are with Triad Architects and Lang's Excavating in the amounts of \$31,804 and \$459,314, respectively. These contracts are accounted for in the Permanent Improvement Capital Projects Fund. As of June 30, 2003, the School District paid \$99,317 on the project, leaving a remaining balance on the contracts of \$391,801.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03
Compensated Absences	\$702,693	\$147,670	\$29,006	\$821,357
Tax Refund	20,693	0	20,693	0
Special Termination Benefits	35,175	11,085	30,968	15,292
Tax Anticipation Note - 5.25%	600,000	0	150,000	450,000
Energy Conservation Loan - 5.80%	109,665	0	109,665	0
Pension Obligation	56,517	65,479	56,517	65,479
<b>Total General Long-Term Obligations</b>	<b><u>\$1,524,743</u></b>	<b><u>\$224,234</u></b>	<b><u>\$396,849</u></b>	<b><u>\$1,352,128</u></b>

Based on the March 26, 1997 decision by the Ohio State Supreme Court, the School District was required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The liability was paid from the General Fund through reductions in tax settlements. No interest was charged on the liability for the 1992 through 1996 tax years.

The School District offers a special termination benefit to both certified and classified employees. Any classified employee that retires from the School District in their first year of eligibility will receive an additional bonus calculated as follows: identify job title, find year of service, subtract 0 step difference, and multiply by the hours pay per year. This bonus payment is made one month after retirement. Any certified employee that retires in the employee's first year of eligibility will receive 50% of the difference between the member's current salary plus 14% and the bachelor's degree step 0 plus 14%. Any certified employee who retires a year after eligibility will receive 25%. Payment is made in one lump sum between January 1 and January 15 of the first year of the employee's retirement. At the employee's option, the payment may be made in two equal payments between January 1 and January 15 of the first two years following the employee's retirement.

The School District issued a note for \$289,872 on July 25, 2000, 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 note was issued for a three year period with final maturity during fiscal year 2003. The notes were retired through the Permanent Improvement Capital Projects Fund. Energy savings was used to retire the debt.

The School District issued a note for \$750,000 on May 10, 2001, for capital improvements. The note was issued for a five year period with final maturity during fiscal year 2006. The notes are retired through the Permanent Improvement Capital Projects Fund.

Compensated absences, special termination benefits, and long-term pension obligations will be paid from the fund which the employees' salaries are paid. The School District's overall legal debt margin was \$10,012,242, with an unvoted debt margin of \$116,247 at June 30, 2003.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of the lunchroom, uniform school supplies, and adult education programs. The table below reflects the more significant financial data relating to the enterprise funds of the Fort Frye Local School District as of and for the fiscal year ended June 30, 2003.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$237,011	\$6,924	\$321	\$244,256
Depreciation Expense	\$2,146	\$0	\$0	\$2,146
Operating Income (Loss)	(\$224,859)	\$6,187	\$231	(\$218,441)
Donated Commodities	\$52,080	\$0	\$0	\$52,080
Operating Grants	\$164,320	\$0	\$0	\$164,320
Net Income (Loss)	(\$8,459)	\$6,187	\$231	(\$2,041)
Fixed Asset Additions	\$8,695	\$0	\$0	\$8,695
Net Working Capital	(\$35,161)	(\$546)	\$1,379	(\$34,328)
Long-Term Compensated Absences Payable	\$11,077	\$0	\$0	\$11,077
Long-Term Pension Obligation	\$12,558	\$0	\$0	\$12,558
Total Assets	\$142,544	\$11	\$1,379	\$143,934
Total Equity (Deficit)	(\$93,591)	(\$546)	\$1,379	(\$92,758)
Cash Encumbrances	\$250	\$0	\$0	\$250

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Southeast Ohio Voluntary Educational Consortium (SEOVEC)* - 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 38 participants consisting of 30 school districts and 8 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. During fiscal year 2003, the Fort Frye Local School District paid \$35,454 to SEOVEC. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

*Washington County Career Center* - The Washington County Career Center 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 Career Center, Mary Bee, Treasurer, at 21740 State Route 676, Marietta, Ohio 45750.



Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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*South Eastern Ohio Special Education Regional Resource Center (SEOSERRC)* - SEOSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

*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. During fiscal year 2003, the Fort Frye Local School District paid \$330 to the Coalition.

**NOTE 18 - INSURANCE PURCHASING POOL**

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

**NOTE 19 - INTERFUND TRANSACTIONS**

As of June 30, 2003, the Title II-A, the Permanent Improvements Capital Projects Fund, and the Lunchroom and Uniform School Supplies Enterprise Funds owed the General Fund \$10,939, \$131,989, \$24,197, and \$557, respectively, as an interfund payable.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 20 - SET-ASIDE CALCULATIONS**

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2002	(\$171,772)	(\$1,039,872)	\$35,501
Current year set-aside requirement	161,332	161,332	0
Qualifying Disbursements	<u>(214,772)</u>	<u>(811,281)</u>	<u>(35,501)</u>
Totals	<u>(\$225,212)</u>	<u>(\$1,689,821)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$225,212)</u>	<u>(\$1,039,872)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements and textbook set-asides amount below zero. The extra amounts may be used to reduce the set-aside requirement in future fiscal years.

**NOTE 21 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

Fort Frye Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

The School District is currently party to litigation. The outcome and possible effects on the financial statements cannot be determined at this time.

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**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 52,080	\$	\$ 52,080
School Breakfast Program	10.553	05PU-2002 05PU-2003	4,994 23,973		4,994 23,973	
Total School Breakfast Program			<u>28,967</u>	<u>0</u>	<u>28,967</u>	<u>0</u>
National School Lunch Program	10.555	LLP4-2002 LLP4-2003 VGS1-2003	17,737 77,981 8,371		17,737 77,981 8,371	
Total National School Lunch Program			<u>104,089</u>	<u>0</u>	<u>104,089</u>	<u>0</u>
Total Nutrition Cluster			<u>133,056</u>	<u>52,080</u>	<u>133,056</u>	<u>52,080</u>
Total United States Department of Agriculture			133,056	52,080	133,056	52,080
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Washington County Educational Service Center:</i>						
Goals 2000 - State and Local Education						
Systemic Improvement Grant	84.276	N/A			78	
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2001 C1S1-2002 C1S1-2003	20,213 269,756		97 54,131 258,220	
Total Title I Grants to Local Educational Agencies			<u>289,969</u>	<u>0</u>	<u>312,448</u>	<u>0</u>
Special Education - Grants to States	84.027	6BSF-2002P 6BSF-2003P	19,347 101,496		9,605 96,018	
Total Special Education - Grants to States			<u>120,843</u>	<u>0</u>	<u>105,623</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	84.186	DRS1-2002 DRS1-2003	2,927 5,425		2,301 4,164	
Total Safe and Drug-Free Schools and Communities			<u>8,352</u>	<u>0</u>	<u>6,465</u>	<u>0</u>
Eisenhower Professional Development State Grants	84.281	MSS1-2001 MSS1-2002	677		807 4,297	
Total Eisenhower Professional Development State Grants			<u>677</u>	<u>0</u>	<u>5,104</u>	<u>0</u>
Innovative Education Program Strategies	84.298	C2S1-2003	7,288		7,207	
Education Technology State Grants	84.318	TJ-S1-2003	2,425		695	
Advanced Placement Program	84.330	AVS1-2003	200		200	
Class Size Reduction	84.340	CRS1-2001 CRS1-2002	7,962		416 7,176	
Total Class Size Reduction			<u>7,962</u>	<u>0</u>	<u>7,592</u>	<u>0</u>
School Renovation, IDEA, and Technology	84.352A	ATS3-2002 ATS3-2003	9,318		10,096 4,330	
Total School Renovation, IDEA, and Technology			<u>9,318</u>	<u>0</u>	<u>14,426</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	TRS1-2003	57,461		58,168	
Total United States Department of Education			<u>504,495</u>	<u>0</u>	<u>518,006</u>	<u>0</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>						
<i>Passed through Ohio Emergency Management Agency:</i>						
Public Assistance Grants	83.544	DR-1453-OH	1,208		1,208	
Total Federal Emergency Management Agency			<u>1,208</u>	<u>0</u>	<u>1,208</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<u><b>\$ 638,759</b></u>	<u><b>\$ 52,080</b></u>	<u><b>\$ 652,270</b></u>	<u><b>\$ 52,080</b></u>

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

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies expended first.



**Auditor of State  
Betty Montgomery**

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

Fort Frye Local School District  
Washington County  
P.O. Box 1149  
Beverly, Ohio 45715

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fort Frye Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 1, 2003. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 1, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2003-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 1, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 1, 2003





## Auditor of State Betty Montgomery

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

Fort Frye Local School District  
Washington County  
P.O. Box 1149  
Beverly, Ohio 45715

To the Board of Education:

#### Compliance

We have audited the compliance of the Fort Frye 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, 2003. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School District in a separate letter dated December 1, 2003.

#### 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.

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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. We also noted certain matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to the management of the School District in a separate letter dated December 1, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 1, 2003

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2003-001**

**Reportable Condition – Sales Project Potential Forms**

A sales project potential form was not completed properly for 87.5% of the student activities with fund raising events. Failure to complete sales project potential forms eliminates a useful tool to be used by the activity advisor in determining profitability of the activity and also eliminates a useful tool for the School Treasurer's use in detecting errors or irregularities in a timely manner.

We recommend the School Treasurer require all activity advisors to complete the sales project potential forms. We also recommend the School Treasurer verify the information provided to ensure the forms are accurately completed. The School District should review the Auditor of State's "Guidelines for Developing Policies for Student Activity Programs," available at [www.auditor.state.oh.us](http://www.auditor.state.oh.us), Publications, Manuals and Handbooks.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**FORT FRYE LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 §.315 (b)  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2002-11084-001	The School District failed to obtain a "412 certificate" for the following contracts: Marietta Truck Sales and OAPSE/AFSCME Local 4, AFL-CIO, and its Local 447.	Yes	N/A



**Auditor of State  
Betty Montgomery**

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**FORT FRYE 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  
JANUARY 20, 2004**