



**FELICITY FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



## TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statements of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types .....	10
Statement of Revenues, Expenses, and Changes in Retained Earnings Proprietary Fund Type .....	12
Statement of Cash Flows - Proprietary Fund Type .....	13
Statement of Revenues, Expenses, and Changes In Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type .....	14
Notes to the General-Purpose Financial Statements .....	15
Schedule of Federal Awards Expenditures .....	43
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	45
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	47
Schedule of Findings .....	49

**THIS PAGE LEFT BLANK INTENTIONALLY**



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Felicity Franklin Local School District  
Clermont County  
415 Washington Street  
Felicity, Ohio 45120

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Felicity Franklin Local School District, Clermont County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**Jim Petro**  
Auditor of State

December 29, 1999

**Felicity Franklin Local School District**



**THIS PAGE LEFT BLANK INTENTIONALLY**

Felicity-Franklin Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Assets and Other Debits:</i></b>				
<b><i>Assets:</i></b>				
Equity in Pooled Cash and Investments	\$2,318,280	\$151,522	\$234,570	\$720,657
Receivables:				
Taxes	918,191	21,301	191,977	0
Accounts	4,443	0	0	0
Intergovernmental	3,428	0	0	0
Accrued Interest	10,781	0	0	0
Prepaid Items	4,028	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	170,237	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b><i>Other Debits:</i></b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	 \$3,429,388	 \$172,823	 \$426,547	 \$720,657



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$157,461	\$39,868	\$0	\$0	\$3,622,358
0	0	0	0	1,131,469
0	0	0	0	4,443
0	0	0	0	3,428
0	0	0	0	10,781
0	0	0	0	4,028
16,868	0	0	0	16,868
1,425	0	0	0	1,425
0	0	0	0	170,237
190,995	0	14,379,123	0	14,570,118
0	0	0	258,192	258,192
0	0	0	1,805,013	1,805,013
<u>\$366,749</u>	<u>\$39,868</u>	<u>\$14,379,123</u>	<u>\$2,063,205</u>	<u>\$21,598,360</u>

(continued)

Felicity-Franklin Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities,</b>				
<b>Fund Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$6,494	\$985	\$0	\$3,150
Contracts Payable	17,542	0	0	103,430
Accrued Wages and Benefits	476,106	45,437	0	0
Compensated Absences Payable	9,400	0	0	0
Retainage Payable	50	0	0	9,120
Intergovernmental Payable	106,004	11,115	0	0
Deferred Revenue	805,230	18,684	168,355	0
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	<u>1,420,826</u>	<u>76,221</u>	<u>168,355</u>	<u>115,700</u>
<b>Total Liabilities</b>				
 <b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	216,578	10,869	0	80,321
Reserved for Property Taxes	112,961	2,617	23,622	0
Reserved for Budget Stabilization	79,049	0	0	0
Reserved for Textbooks	46,450	0	0	0
Reserved for Capital Improvements	10,347	0	0	0
Reserved for Bus Acquisition	34,391	0	0	0
Reserved for Facilities Maintenance	0	13,408	0	0
Unreserved:				
Undesignated	1,508,786	69,708	234,570	524,636
	<u>2,008,562</u>	<u>96,602</u>	<u>258,192</u>	<u>604,957</u>
<b>Total Fund Equity and Other Credits</b>				
	<u>2,008,562</u>	<u>96,602</u>	<u>258,192</u>	<u>604,957</u>
 <b>Total Liabilities, Fund Equity and Other Credits</b>				
	<u>\$3,429,388</u>	<u>\$172,823</u>	<u>\$426,547</u>	<u>\$720,657</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			
\$0	\$0	\$0	\$0	\$10,629
0	0	0	0	120,972
20,729	0	0	0	542,272
4,671	0	0	278,212	292,283
0	0	0	0	9,170
14,382	0	0	46,117	177,618
12,188	0	0	0	1,004,457
0	39,868	0	0	39,868
0	0	0	28,876	28,876
0	0	0	1,710,000	1,710,000
<u>51,970</u>	<u>39,868</u>	<u>0</u>	<u>2,063,205</u>	<u>3,936,145</u>
0	0	14,379,123	0	14,379,123
314,779	0	0	0	314,779
0	0	0	0	307,768
0	0	0	0	139,200
0	0	0	0	79,049
0	0	0	0	46,450
0	0	0	0	10,347
0	0	0	0	34,391
0	0	0	0	13,408
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,337,700</u>
<u>314,779</u>	<u>0</u>	<u>14,379,123</u>	<u>0</u>	<u>17,662,215</u>
<u>\$366,749</u>	<u>\$39,868</u>	<u>\$14,379,123</u>	<u>\$2,063,205</u>	<u>\$21,598,360</u>

Felicity-Franklin Local School District  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Property Taxes	\$920,224	\$21,256	\$191,350	\$0	\$1,132,830
Intergovernmental	5,599,887	661,008	19,797	535,350	6,816,042
Interest	168,130	0	0	12,117	180,247
Tuition and Fees	11,392	0	0	0	11,392
Extracurricular Activities	0	35,935	0	0	35,935
Customer Services	28,505	0	0	0	28,505
Miscellaneous	30,831	39,343	0	9,851	80,025
Total Revenues	<u>6,758,969</u>	<u>757,542</u>	<u>211,147</u>	<u>557,318</u>	<u>8,284,976</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,527,421	271,118	0	0	2,798,539
Special	854,060	272,417	0	0	1,126,477
Vocational	150,946	0	0	0	150,946
Adult/Continuing	0	10,448	0	0	10,448
Support Services:					
Pupils	239,486	17,477	0	0	256,963
Instructional Staff	155,720	80,544	0	0	236,264
Board of Education	8,347	0	0	0	8,347
Administration	485,671	11,060	0	0	496,731
Fiscal	231,953	0	0	0	231,953
Operation and Maintenance of Plant	734,929	17,618	0	0	752,547
Pupil Transportation	385,872	0	0	0	385,872
Central	21,239	5,320	0	0	26,559
Extracurricular Activities	81,855	49,842	0	0	131,697
Capital Outlay	33,224	0	0	709,297	742,521
Debt Service:					
Principal Retirement	7,536	0	45,000	0	52,536
Interest and Fiscal Charges	2,568	0	119,060	0	121,628
Total Expenditures	<u>5,920,827</u>	<u>735,844</u>	<u>164,060</u>	<u>709,297</u>	<u>7,530,028</u>
Excess of Revenues Over (Under) Expenditures	<u>838,142</u>	<u>21,698</u>	<u>47,087</u>	<u>(151,979)</u>	<u>754,948</u>
<b>Other Financing Sources (Uses):</b>					
Inception of Capital Lease	3,603	0	0	0	3,603
Operating Transfers In	0	0	0	3,047	3,047
Operating Transfers Out	(3,047)	0	0	0	(3,047)
Total Other Financing Sources (Uses)	<u>556</u>	<u>0</u>	<u>0</u>	<u>3,047</u>	<u>3,603</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	838,698	21,698	47,087	(148,932)	758,551
Fund Balances at Beginning of Year	<u>1,169,864</u>	<u>74,904</u>	<u>211,105</u>	<u>753,889</u>	<u>2,209,762</u>
Fund Balances at End of Year	<u>\$2,008,562</u>	<u>\$96,602</u>	<u>\$258,192</u>	<u>\$604,957</u>	<u>\$2,968,313</u>

See accompanying notes to the general purpose financial statements

**THIS PAGE LEFT BLANK INTENTIONALLY**

Felicity-Franklin Local School District  
 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, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$845,566	\$845,566	\$0	\$19,526	\$19,526	\$0
Intergovernmental	5,597,460	5,597,460	0	687,008	687,008	0
Interest	170,826	176,806	5,980	0	0	0
Tuition and Fees	11,016	11,016	0	0	0	0
Extracurricular Activities	0	0	0	35,935	35,935	0
Customer Services	28,505	28,505	0	0	0	0
Miscellaneous	27,703	27,274	(429)	40,422	40,419	(3)
<b>Total Revenues</b>	<b>6,681,076</b>	<b>6,686,627</b>	<b>5,551</b>	<b>782,891</b>	<b>782,888</b>	<b>(3)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,715,021	2,540,370	1,174,651	303,665	261,722	41,943
Special	928,298	848,687	79,611	311,012	268,067	42,945
Vocational	173,257	151,341	21,916	0	0	0
Adult/Continuing	0	0	0	11,473	10,448	1,025
Support Services:						
Pupils	294,792	237,427	57,365	30,461	19,554	10,907
Instructional Staff	296,479	175,034	121,445	105,584	97,477	8,107
Board of Education	10,398	8,282	2,116	0	0	0
Administration	582,911	490,503	92,408	1,602	1,602	0
Fiscal	247,009	206,172	40,837	0	0	0
Operation and Maintenance of Plant	908,155	756,926	151,229	31,026	17,618	13,408
Pupil Transportation	690,058	567,030	123,028	0	0	0
Central	41,320	23,069	18,251	5,372	5,372	0
Extracurricular Activities	124,510	83,501	41,009	72,063	49,896	22,167
Capital Outlay	30,557	30,557	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>8,042,765</b>	<b>6,118,899</b>	<b>1,923,866</b>	<b>872,258</b>	<b>731,756</b>	<b>140,502</b>
Excess of Revenues Over (Under) Expenditures	(1,361,689)	567,728	1,929,417	(89,367)	51,132	140,499
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(237,539)	(3,047)	234,492	0	0	0
Other Financing Uses	(79,049)	0	79,049	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(316,588)</b>	<b>(3,047)</b>	<b>313,541</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,678,277)	564,681	2,242,958	(89,367)	51,132	140,499
Fund Balances at Beginning of Year	1,604,612	1,604,612	0	55,573	55,573	0
Prior Year Encumbrances Appropriated	73,665	73,665	0	33,794	33,794	0
<b>Fund Balances at End of Year</b>	<b>\$0</b>	<b>\$2,242,958</b>	<b>\$2,242,958</b>	<b>\$0</b>	<b>\$140,499</b>	<b>\$140,499</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$175,738	\$175,738	\$0	\$0	\$0	\$0	1,040,830	1,040,830	0
19,797	19,797	0	535,350	535,350	0	6,839,615	6,839,615	0
0	0	0	12,117	12,117	0	182,943	188,923	5,980
0	0	0	0	0	0	11,016	11,016	0
0	0	0	0	0	0	35,935	35,935	0
0	0	0	0	0	0	28,505	28,505	0
0	0	0	9,851	9,851	0	77,976	77,544	(432)
<u>195,535</u>	<u>195,535</u>	<u>0</u>	<u>557,318</u>	<u>557,318</u>	<u>0</u>	<u>8,216,820</u>	<u>8,222,368</u>	<u>5,548</u>
0	0	0	161,806	105,192	56,614	4,180,492	2,907,284	1,273,208
0	0	0	0	0	0	1,239,310	1,116,754	122,556
0	0	0	0	0	0	173,257	151,341	21,916
0	0	0	0	0	0	11,473	10,448	1,025
0	0	0	0	0	0	325,253	256,981	68,272
0	0	0	0	0	0	402,063	272,511	129,552
0	0	0	0	0	0	10,398	8,282	2,116
0	0	0	0	0	0	584,513	492,105	92,408
0	0	0	0	0	0	247,009	206,172	40,837
0	0	0	300,000	0	300,000	1,239,181	774,544	464,637
0	0	0	0	0	0	690,058	567,030	123,028
0	0	0	0	0	0	46,692	28,441	18,251
0	0	0	0	0	0	196,573	133,397	63,176
0	0	0	879,157	708,885	170,272	909,714	739,442	170,272
279,570	45,000	234,570	0	0	0	279,570	45,000	234,570
119,060	119,060	0	0	0	0	119,060	119,060	0
<u>398,630</u>	<u>164,060</u>	<u>234,570</u>	<u>1,340,963</u>	<u>814,077</u>	<u>526,886</u>	<u>10,654,616</u>	<u>7,828,792</u>	<u>2,825,824</u>
<u>(203,095)</u>	<u>31,475</u>	<u>234,570</u>	<u>(783,645)</u>	<u>(256,759)</u>	<u>526,886</u>	<u>(2,437,796)</u>	<u>393,576</u>	<u>2,831,372</u>
0	0	0	3,047	3,047	0	3,047	3,047	0
0	0	0	0	0	0	(237,539)	(3,047)	234,492
0	0	0	0	0	0	(79,049)	0	79,049
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,047</u>	<u>3,047</u>	<u>0</u>	<u>(313,541)</u>	<u>0</u>	<u>313,541</u>
(203,095)	31,475	234,570	(780,598)	(253,712)	526,886	(2,751,337)	393,576	3,144,913
203,095	203,095	0	628,523	628,523	0	2,491,803	2,491,803	0
0	0	0	152,075	152,075	0	259,534	259,534	0
<u>\$0</u>	<u>\$234,570</u>	<u>\$234,570</u>	<u>\$0</u>	<u>\$526,886</u>	<u>\$526,886</u>	<u>\$0</u>	<u>\$3,144,913</u>	<u>\$3,144,913</u>

Felicity-Franklin Local School District  
Statement of Revenues,  
Expenses and Changes in Retained Earnings  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<b><i>Operating Revenues:</i></b>	
Sales	\$157,892
Other Operating Revenues	2,312
Total Operating Revenues	160,204
<b><i>Operating Expenses:</i></b>	
Salaries	151,271
Fringe Benefits	53,187
Purchased Services	9,106
Materials and Supplies	11,501
Cost of Sales	136,175
Depreciation	13,334
Total Operating Expenses	374,574
Operating Loss	(214,370)
<b><i>Non-Operating Revenues:</i></b>	
Interest	2,972
Federal Donated Commodities	27,179
Federal and State Subsidies	157,661
Total Non-Operating Revenues	187,812
Net Loss	(26,558)
Retained Earnings at Beginning of Year - Restated - (Note 19)	341,337
Retained Earnings at End of Year	\$314,779

See accompanying notes to the general purpose financial statements



Felicity-Franklin Local School District  
Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$157,892
Cash Received from Other Operating Sources	2,312
Cash Payments to Suppliers for Goods and Services	(130,478)
Cash Payments to Employees for Services	(137,165)
Cash Payments for Employee Benefits	<u>(62,696)</u>
Net Cash Used for Operating Activities	(170,135)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Grants Received	157,661
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest on Investments	<u>2,972</u>
Net Decrease in Cash and Cash Equivalents	(9,502)
Cash and Cash Equivalents at Beginning of Year	<u>166,963</u>
Cash and Cash Equivalents at End of Year	<u><u>\$157,461</u></u>
<b><u>Reconciliation of Operating Loss to Net</u></b>	
<b><u>Cash Used for Operating Activities:</u></b>	
Operating Loss	<u>\$214,370</u>
<b><u>Adjustments to Reconcile Operating Loss to</u></b>	
<b><u>Net Cash Used for Operating Activities:</u></b>	
Donated Commodities Used During Year	27,179
Depreciation	13,334
<b><u>Changes in Assets and Liabilities:</u></b>	
Increase in Inventory Held for Resale	(505)
Increase in Materials and Supplies Inventory	(299)
Decrease in Accounts Payable	(70)
Increase in Accrued Wages and Benefits	1,529
Decrease in Compensated Absences Payable	(1,256)
Increase in Intergovernmental Payable	<u>4,323</u>
Total Adjustments	<u>44,235</u>
Net Cash Used for Operating Activities	<u><u>\$170,135</u></u>

See accompanying notes to the general purpose financial statements

Felicity-Franklin Local School District  
Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Sales	\$157,892	\$157,892	\$0
Federal and State Subsidies	157,661	157,661	0
Interest	2,997	2,972	(25)
Other Revenues	2,312	2,312	0
Total Revenues	320,862	320,837	(25)
<b>Expenses:</b>			
Salaries	163,542	137,165	26,377
Fringe Benefits	70,646	62,696	7,950
Purchased Services	43,962	9,546	34,416
Materials and Supplies	182,889	120,516	62,373
Capital Outlay	26,786	856	25,930
Total Expenses	487,825	330,779	157,046
Excess of Revenues Over (Under) Expenses	(166,963)	(9,942)	157,021
Fund Equity at Beginning of Year	166,677	166,677	0
Prior Year Encumbrances Appropriated	286	286	0
Fund Equity at End of Year	\$0	\$157,021	\$157,021

See accompanying notes to the general purpose financial statements

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

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

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

The School District was established in 1930 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 84 square miles. It is located in Clermont County, and includes the Villages of Felicity and Chilo, all of Franklin Township and a portion of Washington Township. It is staffed by 47 non-certificated employees, 77 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,307 students and other community members. The School District currently operates 3 instructional buildings and 2 garages.

*Reporting Entity:*

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

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

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

Felicity-Franklin Parent Teacher Organization  
Felicity Music Boosters Association

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

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

(continued)

The School District is associated with five organizations, three of which are defined as jointly governed organizations, and two as insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the U.S. Grant Joint Vocational School, the Clermont County Health Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations and the School District's participation is discussed in Notes 15 and 16 to the General-Purpose financial statements.

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

The financial Statements of the Felicity Franklin 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.

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Governmental Fund Types:*

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

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

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

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

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

*Proprietary Fund Type:*

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

*Enterprise Fund* - The enterprise fund is 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.

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fiduciary Fund Type:*

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

*Account Groups:*

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

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

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

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

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

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The District has no contributed capital. 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

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

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

**C. Budgetary Process**

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

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

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*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 Clermont County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

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



Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

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

During fiscal year 1999, the School District's investments were limited to U.S. Treasury Bills, U. S. Treasury Notes, U.S. Government Agency Securities, a money market mutual fund, and STAR Ohio. Investments are reported at fair value which is based on quoted market prices.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$168,130, which includes \$58,949, assigned from other School District funds. The capital projects fund and the enterprise fund also received interest revenue of \$12,117 and \$2,972, respectively.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

For purposes of the combined statement of cash flows, the enterprise funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

**E. 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 donated food, purchased food, and non-food supplies and are expensed when used.

**F. Prepaid Items**

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

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have 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. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years.

**H. Intergovernmental Revenues**

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

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

*Entitlements*

*General Fund*

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

*Special Revenue Funds*

- Disadvantaged Pupil Impact Aid

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Professional Development Block Grant
- School Net Professional Development
- Textbook Subsidy

*Capital Projects Funds*

- School Net Plus
- Technology Equity
- Ohio School Facilities State Building Assistance
- Ohio School Facilities Commission Emergency Building Repairs

*Reimbursable Grants*

*General Fund*

- Driver Education

*Proprietary Funds*

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately eighty-two percent of governmental fund revenue during the 1999 fiscal year.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**I. 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 termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

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

**K. Interfund Transactions**

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

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**L. Restricted Assets**

Restricted assets in the general fund represent cash and investments whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**M. Fund Balance Reserves**

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

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

**N. Estimates**

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

**O. Total Columns on General-Purpose Financial Statements**

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

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 3 - ACCOUNTABILITY**

The Title VI-B and the Disadvantaged Pupils Impact Aid Special Revenue Funds had deficit fund balances at June 30, 1999 of \$2,263 and \$12,221, respectively. The deficits in these funds 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.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above 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 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).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$838,698	\$21,698	\$47,087	(\$148,932)
Revenue Accruals	(75,845)	25,346	(15,612)	0
Expenditure Accruals	47,370	15,111	0	88,991
Encumbrances	(245,442)	(11,023)	0	(193,771)
Budget Basis	<u>\$564,681</u>	<u>\$51,132</u>	<u>\$31,475</u>	<u>(\$253,712)</u>

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Loss/Excess of Revenues Under Expenses  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$26,558)
Revenue Accruals	(27,179)
Expense Accruals	30,901
Depreciation Expense	13,334
Encumbrances	(440)
Budget Basis	(\$9,942)

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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



Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$64,597 and the bank balance was \$171,228. Of the bank balance, \$101,735 was covered by federal depository insurance and \$69,493 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 3	Fair Value
U.S. Government and Agency Securities	\$1,237,140	\$1,237,140
STAR Ohio		2,408,845
Money Market Mutual Fund		82,013
Totals	\$1,237,140	\$3,727,998

**NOTE 6 - PROPERTY TAXES**

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

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

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 6 - PROPERTY TAXES** (continued)

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

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

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

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

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

The School District receives property taxes from Clermont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$112,961 in the general fund, \$2,617 in the classroom facilities maintenance fund and \$23,622 in the debt service fund.

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 6 - PROPERTY TAXES** (continued)

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$33,111,170	83.57%	\$34,896,480	83.53%
Public Utility	5,820,870	14.69%	6,148,580	14.72%
Tangible Personal Property	689,975	1.74%	729,285	1.75%
Total Assessed Value	\$39,622,015	100.00%	\$41,774,345	100.00%
Tax rate per \$1,000 of assessed valuation	\$33.30		\$33.30	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, interest, accounts (tuition and student fees), 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:

	Amounts
General Fund	
Excess Costs	\$3,428

**NOTE 8 - FIXED ASSETS**

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

Furniture and Equipment	\$283,905
Less Accumulated Depreciation	(92,910)
Net Fixed Assets	\$190,995

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 8 - FIXED ASSETS** (continued)

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

Asset Category	Balance at June 30, 1998	Additions	Deletions	Balance at June 30, 1999
Land and Improvements	\$440,437	\$0	\$0	\$440,437
Buildings and Improvements	10,368,813	0	0	10,368,813
Furniture, Fixtures and Equipment	1,759,693	196,937	9,986	1,946,644
Vehicles	962,200	64,727	0	1,026,927
Textbooks	596,302	0	0	596,302
<b>Total General Fixed Assets</b>	<b>\$14,127,445</b>	<b>\$261,664</b>	<b>\$9,986</b>	<b>\$14,379,123</b>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Indiana Insurance for property and fleet insurance, and inland marine coverage, and with Nationwide Insurance for liability insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$18,440,400
Inland Marine Coverage (\$1,000 deductible)	incl. above
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	incl. above
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
Umbrella Policy	2,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the 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.

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 9 - RISK MANAGEMENT** (continued)

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.

For fiscal year 1999, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 16), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trust provides insurance policies in whole or in part through one or more group insurance policies.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS’ Retirement Board. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$70,477, \$79,004 and \$85,384, respectively; 48.60 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$36,224 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$165,469, \$326,406 and \$249,716, respectively; 80.63 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$32,047 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$220,626 during the fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

contributions to fund health care benefits were 6.3 percent of covered payroll, an increase of 4.98 percent from fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$69,742.

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

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who are not on a twelve month contract 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 with no maximum for all personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit for the first 120 days and 10 percent for days in excess of 120.

**B. Life and Accident Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through UNUM Life Insurance Company of America.

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$38,185. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$7,536 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	\$10,454
2001	9,968
2002	7,509
2003	5,108
Total	33,039
Less: Amount Representing Interest	(4,163)
Present Value of Net Minimum Lease Payments	\$28,87



Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Principal Outstanding June 30, 1998	Additions	Deductions	Principal Outstanding June 30, 1999
General Obligation Debt:				
School Improvement Bond 1982 13.000%	\$50,000	\$0	\$10,000	\$40,000
School Improvement Bond 1986 8.375%	370,000	0	30,000	340,000
School Improvement Bond 1997 6.085%	1,335,000	0	5,000	1,330,000
Total General Obligation Bonded Debt	1,755,000	0	45,000	1,710,000
Compensated Absences	275,824	2,388	0	278,212
Intergovernmental Payable	47,004	46,117	47,004	46,117
Capital Leases	32,809	3,603	7,536	28,876
Total General Long-Term Obligations	\$2,110,637	\$52,108	\$99,540	\$2,063,205

*Felicity Franklin Junior High School Addition General Obligation Bonds* - On December 12, 1982, Felicity Franklin Local School District issued voted general obligation bonds for the purpose of an addition and improvements to the junior high school building. The bonds were issued for a twenty year period with final maturity at December 1, 2002. The bonds will be retired from the debt service fund.

*Felicity Franklin Junior High School Addition General Obligation Bonds* - On July 1, 1986, Felicity Franklin Local School District issued voted general obligation bonds for the purpose of an addition and improvements to the junior high school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2009. The bonds will be retired from the debt service fund.

*Felicity Franklin Junior High School Addition General Obligation Bonds* - On July 1, 1997, Felicity Franklin Local School District issued voted general obligation bonds for the purpose of an addition and improvements to the junior high school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2020. The bonds will be retired from the debt service fund.

*School Facilities Loan* - On May 16, 1995, the School District entered into a school facilities loan program for the purpose of constructing a new elementary school. Under the contract, the School District was to receive \$7,240,928 as provided by the State to be repaid from the proceeds of a half mill levy. During the term of the loan, any time the taxes levied necessary to provide the debt

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

service on the School District's net indebtedness, including the bond issue plus the half mill payment to the State, would decline below four mills per year, then the margin thus created between the reduced millage and four mills must be levied and repaid to the State. At the end of the twenty-three year period any remaining unpaid balance on the State loan is forgiven and written off by the State.

On October 7, 1997, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the \$7,221,388 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 596 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$2,307,883 with an unvoted debt margin of \$41,774 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$45,000	\$111,594	\$156,594
2001	45,000	107,546	152,546
2002	45,000	103,492	148,492
2003	45,000	99,461	144,461
2004	45,000	95,761	140,761
2005-2009	290,000	423,720	713,720
2010-2014	470,000	301,734	771,734
2015-2021	725,000	122,030	847,030
Total	\$1,710,000	\$1,365,338	\$3,075,338

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*Hamilton Clermont Cooperative Association/Unified Purchasing Association* - The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two-county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for Hamilton Clermont Cooperative

Association/Unified Purchasing Association can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

*Hamilton/Clermont Cooperative Association* - The School District is a participant in a two-county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among other member districts. The Board of H/CCA consists of one representative from each of the participating members. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

*U.S. Grant Joint Vocational School* - The U.S. Grant Joint Vocational School, a jointly governed organization, 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 four participating school districts' elected boards with an additional representative rotated among the four schools. The Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the U.S. Grant Joint Vocational School, Patricia Patten, who serves as Treasurer, at 3046 State Route 125, Bethel, Ohio 45106.

**NOTE 16 - INSURANCE PURCHASING POOLS**

*The Clermont County Health Trust* -The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and are elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, McElroy Minister, which in turn buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit of its employees upon written notice to the Trustee delivered at least sixty

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 16 - INSURANCE PURCHASING POOLS** (continued)

days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Health Trust at P.O. Box 526 Middletown, Ohio 45042.

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

**NOTE 17 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,089,843 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$7,240,928 under this program.

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

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

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$36,510	\$36,510
Current Year Set-aside Requirement	85,076	85,076	42,539	212,691
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(38,626)	(74,729)	0	(113,355)
Set-aside Cash Balance as of June 30, 1999	<u>\$46,450</u>	<u>\$10,347</u>	<u>\$79,049</u>	\$135,846
Amount restricted for Bus Acquisitions				<u>34,391</u>
Total Restricted Assets				<u>\$170,237</u>

**NOTE 19 - RESTATEMENT OF FUND EQUITY / ACCOUNT GROUP BALANCES**

Due to an appraisal in fiscal year 1999, fixed assets and inventory were restated in the Food Service Enterprise fund and the General Fixed Assets Account Group. The change in reporting had the following effect on fund equity as it was previously reported as of June 30, 1999.

<u>Fund Type</u>	<u>Balance June 30, 1998</u>	<u>Adjustments</u>	<u>Balance July 1, 1998</u>
Food Service	\$180,953	\$160,384	\$341,337
General Fixed Assets Account Group	13,467,335	660,110	14,127,445

Felicity Franklin Local School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 20 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The School District is currently not party to any legal proceedings.

**NOTE 21 - YEAR 2000 DISCLOSURE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District uses the Ohio Education Computer Network (OECN) State Software for their financial reporting and payroll and employee benefits. This software is provided by the Hamilton/Clermont Cooperative Association (H/CCA - see Note 15.) The State and H/CCA are responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Clermont County collects property taxes for distribution to the District. Clermont County is responsible for remediating its tax collection system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$25,993	\$0	\$27,898
National School Breakfast Program	05PU	10.553	14,664	0	14,664	0
National School Lunch Program	03PU	10.555	132,666	0	132,665	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>147,330</u>	<u>25,993</u>	<u>147,329</u>	<u>27,898</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6BSF-98 6BSF-99	84.027	6,000	0	9,264	0
			<u>79,588</u>	<u>0</u>	<u>72,082</u>	<u>0</u>
Total Special Education Cluster			<u>85,588</u>	<u>0</u>	<u>81,346</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	PGS1	84.010	298,757	0	263,083	0
Innovative Educational Program Strategies	C2S1	84.298	4,738	0	4,440	0
Goals 2000 State and Local Education Systemic Improvement Grant	N/A	84.276	489	0	489	0
Drug-Free Schools Grant	DRS1	84.186	16,498	0	20,427	0
Total U.S. Department of Education			<u>406,070</u>	<u>0</u>	<u>369,785</u>	<u>0</u>
<b>Totals</b>			<u><b>\$553,400</b></u>	<u><b>\$25,993</b></u>	<u><b>\$517,114</b></u>	<u><b>\$27,898</b></u>

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Nonmonetary assistance, such as food received from the U. S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U. S. Department are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had an insignificant amount of food commodities in their inventory.





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Felicity Franklin Local School District  
Clermont County  
415 Washington Street  
Felicity, Ohio 45120

To the Board of Education:

We have audited the accompanying financial statements of the Felicity Franklin Local School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 29, 1999.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 29, 1999.

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

**Jim Petro**  
Auditor of State

December 29, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Felicity Franklin Local School District  
Clermont County  
415 Washington Street  
Felicity, Ohio 45120

To the Board of Education:

**Compliance**

We have audited the compliance of Felicity Franklin Local School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the fiscal year ended June 30, 1999. Felicity Franklin Local 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 Felicity Franklin Local School District's management. Our responsibility is to express an opinion on Felicity Franklin Local School District's compliance based on our audit.

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

In our opinion, Felicity Franklin Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

**Internal Control Over Compliance**

The management of Felicity Franklin Local 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 Felicity Franklin Local 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.

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

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

**Jim Petro**  
Auditor of State

December 29, 1999

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**

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

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

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**  
**(Continued)**

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**FELICITY FRANKLIN LOCAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 1, 2000**