



**FREDERICKTOWN LOCAL SCHOOL DISTRICT
KNOX COUNTY**

SINGLE AUDIT

FOR FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types	12
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types	13
Combined Statement of Cash Flows - All Proprietary Fund Types	14
Notes to the General Purpose Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures	43
Notes to Schedule of Federal Awards Receipts and Expenditures	44
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance In Accordance with OMB Circular A-133	47
Schedule of Findings	49

This Page Intentionally Left Blank



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

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Fredericktown Local School District
Knox County
134 W. Second Street
Fredericktown, Ohio 43019

We have audited the accompanying general-purpose financial statements of the Fredericktown Local School District, Knox County, Ohio, (the District) as of and for the 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 District, 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.

As described in Note 3 to the general-purpose financial statements, the District has implemented *Government Accounting Standards Board Statement number 32*, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans".

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

December 6, 1999

This Page Intentionally Left Blank

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)	
Assets and Other Debits											
Assets											
Equity in Pooled Cash and Cash Equivalents	\$1,562,358	\$144,655	\$2,067	\$263,729	\$66,359	\$0	\$48,809	\$0	\$0	\$2,087,977	
Cash and Cash Equivalents	0	0	61,020	0	0	449,615	0	0	0	510,635	
With Fiscal Agent											
Receivables:											
Taxes	2,591,542	0	0	179,293	0	0	0	0	0	2,770,835	
Accounts	844	0	0	0	0	0	0	0	0	844	
Intergovernmental	25,396	0	0	450,000	6,957	0	0	0	0	482,353	
Prepaid Items	2,390	0	0	0	0	0	0	0	0	2,390	
Inventory Held for Resale	0	0	0	0	6,619	0	0	0	0	6,619	
Materials and Supplies Inventory	4,100	0	0	0	0	0	0	0	0	4,100	
Restricted Assets:											
Equity in Pooled Cash and Cash Equivalents	161,640	0	0	0	0	0	0	0	0	161,640	
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0	17,809	0	0	4,748,392	0	4,766,201	
Other Debits											
Amount Available in Debt											
Service Fund for Retirement of General Obligation Debt	0	0	0	0	0	0	0	0	2,067	2,067	
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	0	876,827	876,827	
Total Assets and Other Debits	\$4,348,270	\$144,655	\$63,087	\$893,022	\$97,744	\$449,615	\$48,809	\$4,748,392	\$878,894	\$11,672,488	

(continued)

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

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types		Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)		
Liabilities, Fund Equity and Other Credits												
Liabilities												
Accounts Payable	\$51,612	\$9,101	\$0	\$6,315	\$5,039	\$36	\$498	\$0	\$0	\$72,601		
Accrued Wages	348,372	14,661	0	0	12,522	0	0	0	0	375,555		
Compensated Absences Payable	23,400	0	0	0	11,510	0	0	0	629,489	664,399		
Intergovernmental Payable	121,536	3,695	0	0	14,878	0	0	0	53,165	193,274		
Deferred Revenue	1,712,702	0	0	118,475	4,325	53,588	0	0	0	1,889,090		
Due to Students	0	0	0	0	0	0	27,820	0	0	27,820		
Matured Bonds Payable	0	0	48,000	0	0	0	0	0	0	48,000		
Matured Interest Payable	0	0	13,020	0	0	0	0	0	0	13,020		
Claims Payable	0	0	0	0	0	108,013	0	0	0	108,013		
Capital Leases Payable	0	0	0	0	0	0	0	0	6,240	6,240		
Energy Conservation Bonds Payable	0	0	0	0	0	0	0	0	190,000	190,000		
Total Liabilities	2,257,622	27,457	61,020	124,790	48,274	161,637	28,318	0	878,894	3,588,012		
Fund Equity and Other Credits												
Investment in General Fixed Assets	0	0	0	0	0	0	0	4,748,392	0	4,748,392		
Contributed Capital	0	0	0	0	14,711	0	0	0	0	14,711		
Retained Earnings:												
Unreserved	0	0	0	0	34,759	287,978	0	0	0	322,737		
Fund Balance:												
Reserved for Encumbrances	174,756	11,470	0	84,863	0	0	257	0	0	271,346		
Reserved for Inventory	4,100	0	0	0	0	0	0	0	0	4,100		
Reserved for Property Taxes	879,080	0	0	60,818	0	0	0	0	0	939,898		
Reserved for Budget Stabilization	83,846	0	0	0	0	0	0	0	0	83,846		
Reserved for Textbooks	77,794	0	0	0	0	0	0	0	0	77,794		
Unreserved:												
Designated for Textbooks	48,032	0	0	0	0	0	0	0	0	48,032		
Designated for Budget Stabilization	156,313	0	0	0	0	0	0	0	0	156,313		
Undesignated	666,727	105,728	2,067	622,551	0	0	20,234	0	0	1,417,307		
Total Fund Equity and Other Credits	2,090,648	117,198	2,067	768,232	49,470	287,978	20,491	4,748,392	0	8,084,476		
Total Liabilities, Fund Equity and Other Credits	\$4,348,270	\$144,655	\$63,087	\$893,022	\$97,744	\$449,615	\$48,809	\$4,748,392	\$878,894	\$11,672,488		

See accompanying notes to the general purpose financial statements

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

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues						
Taxes	\$2,589,570	\$0	\$0	\$172,360	\$0	\$2,761,930
Intergovernmental	3,645,836	249,580	0	536,597	0	4,432,013
Interest	116,897	0	0	0	645	117,542
Tuition and Fees	9,582	6,380	0	0	0	15,962
Extracurricular Activities	0	95,846	0	0	2,882	98,728
Contributions and Donations	0	0	0	0	465	465
Miscellaneous	7,350	0	0	0	0	7,350
<i>Total Revenues</i>	<u>6,369,235</u>	<u>351,806</u>	<u>0</u>	<u>708,957</u>	<u>3,992</u>	<u>7,433,990</u>
Expenditures						
Current:						
Instruction:						
Regular	2,996,986	29,823	0	0	0	3,026,809
Special	450,138	165,822	0	0	0	615,960
Vocational	64,493	0	0	0	0	64,493
Adult/Continuing	0	0	0	0	1,250	1,250
Support Services:						
Pupils	281,228	42,790	0	0	0	324,018
Instructional Staff	128,815	20,917	0	0	0	149,732
Board of Education	44,762	0	0	0	0	44,762
Administration	775,787	6,890	0	0	0	782,677
Fiscal	178,281	0	0	0	0	178,281
Business	29,310	0	0	0	0	29,310
Operation and Maintenance of Plant	402,347	0	0	0	0	402,347
Pupil Transportation	346,221	0	0	0	0	346,221
Extracurricular Activities	217,673	100,444	0	0	3,430	321,547
Capital Outlay	0	0	0	386,422	0	386,422
Debt Service:						
Principal Retirement	19,278	0	0	0	0	19,278
Interest and Fiscal Charges	11,279	0	0	0	0	11,279
<i>Total Expenditures</i>	<u>5,946,598</u>	<u>366,686</u>	<u>0</u>	<u>386,422</u>	<u>4,680</u>	<u>6,704,386</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>422,637</u>	<u>(14,880)</u>	<u>0</u>	<u>322,535</u>	<u>(688)</u>	<u>729,604</u>
Other Financing Sources (Uses)						
Operating Transfers In	0	3,637	0	0	0	3,637
Operating Transfers Out	(40,087)	0	0	0	0	(40,087)
<i>Total Other Financing Sources (Uses)</i>	<u>(40,087)</u>	<u>3,637</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(36,450)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>382,550</u>	<u>(11,243)</u>	<u>0</u>	<u>322,535</u>	<u>(688)</u>	<u>693,154</u>
<i>Fund Balances Beginning of Year</i>	<u>1,708,545</u>	<u>128,441</u>	<u>2,067</u>	<u>445,697</u>	<u>21,179</u>	<u>2,305,929</u>
Decrease in Reserve for Inventory	(447)	0	0	0	0	(447)
<i>Fund Balances End of Year</i>	<u>\$2,090,648</u>	<u>\$117,198</u>	<u>\$2,067</u>	<u>\$768,232</u>	<u>\$20,491</u>	<u>\$2,998,636</u>

See accompanying notes to the general purpose financial statements

This Page Intentionally Left Blank

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$2,471,000	\$2,588,240	\$117,240
Intergovernmental	3,335,000	3,620,440	285,440
Interest	150,000	116,897	(33,103)
Tuition and Fees	3,700	8,978	5,278
Extracurricular Activities	0	0	0
Contributions and Donations	800	0	(800)
Miscellaneous	2,500	6,424	3,924
<i>Total Revenues</i>	<u>5,963,000</u>	<u>6,340,979</u>	<u>377,979</u>
Expenditures			
Current:			
Instruction:			
Regular	3,177,599	3,099,850	77,749
Special	392,069	387,409	4,660
Vocational	65,428	64,573	855
Adult Education	0	0	0
Other	123,877	118,787	5,090
Support Services:			
Pupils	293,178	286,200	6,978
Instructional Staff	162,221	152,265	9,956
Board of Education	95,104	83,558	11,546
Administration	805,821	794,278	11,543
Fiscal	180,753	175,109	5,644
Business	46,630	43,247	3,383
Operation and Maintenance of Plant	438,447	406,859	31,588
Pupil Transportation	372,676	354,848	17,828
Extracurricular Activities	228,895	211,442	17,453
Debt Service:			
Principal Retirement	13,515	13,515	0
Interest and Fiscal Charges	10,527	10,527	0
<i>Total Expenditures</i>	<u>6,406,740</u>	<u>6,202,467</u>	<u>204,273</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(443,740)</u>	<u>138,512</u>	<u>582,252</u>
Other Financing Sources (Uses)			
Refund of Prior Years' Expenditures	0	926	926
Advances Out	(141,208)	0	141,208
Operating Transfers In	0	0	0
Operating Transfers Out	(813,327)	(40,087)	773,240
<i>Total Other Financing Sources (Uses)</i>	<u>(954,535)</u>	<u>(39,161)</u>	<u>915,374</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,398,275)</u>	<u>99,351</u>	<u>1,497,626</u>
<i>Fund Balances Beginning of Year</i>	1,170,598	1,170,598	0
Prior Year Encumbrances Appropriated	227,677	227,677	0
<i>Fund Balances End of Year</i>	<u>\$0</u>	<u>\$1,497,626</u>	<u>\$1,497,626</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
578,447	249,580	(328,867)	0	0	0
0	0	0	0	0	0
7,000	6,380	(620)	0	0	0
116,600	95,846	(20,754)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>702,047</u>	<u>351,806</u>	<u>(350,241)</u>	<u>0</u>	<u>0</u>	<u>0</u>
67,653	42,331	25,322	0	0	0
477,618	174,023	303,595	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
61,504	46,379	15,125	0	0	0
112,970	27,681	85,289	0	0	0
0	0	0	0	0	0
6,852	6,852	0	0	0	0
0	0	0	2,067	0	2,067
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
146,038	103,862	42,176	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>872,635</u>	<u>401,128</u>	<u>471,507</u>	<u>2,067</u>	<u>0</u>	<u>2,067</u>
<u>(170,588)</u>	<u>(49,322)</u>	<u>121,266</u>	<u>(2,067)</u>	<u>0</u>	<u>2,067</u>
0	0	0	0	0	0
0	0	0	0	0	0
3,637	3,637	0	0	0	0
0	0	0	0	0	0
<u>3,637</u>	<u>3,637</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(166,951)	(45,685)	121,266	(2,067)	0	2,067
141,483	141,483	0	2,067	2,067	0
28,288	28,288	0	0	0	0
<u>\$2,820</u>	<u>\$124,086</u>	<u>\$121,266</u>	<u>\$0</u>	<u>\$2,067</u>	<u>\$2,067</u>

(continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

	<u>Capital Projects</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$150,000	\$167,569	\$17,569
Intergovernmental	118,098	86,597	(31,501)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>268,098</u>	<u>254,166</u>	<u>(13,932)</u>
Expenditures			
Current:			
Instruction:			
Regular	211,005	95,436	115,569
Special	0	0	0
Vocational	0	0	0
Adult Education	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	8,000	3,830	4,170
Business	0	0	0
Operation and Maintenance of Plant	448,281	381,539	66,742
Pupil Transportation	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>667,286</u>	<u>480,805</u>	<u>186,481</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(399,188)</u>	<u>(226,639)</u>	<u>172,549</u>
Other Financing Sources (Uses)			
Refund of Prior Years' Expenditures	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(399,188)</u>	<u>(226,639)</u>	<u>172,549</u>
<i>Fund Balances Beginning of Year</i>	253,092	253,092	0
Prior Year Encumbrances Appropriated	146,096	146,096	0
<i>Fund Balances End of Year</i>	<u>\$0</u>	<u>\$172,549</u>	<u>\$172,549</u>

See accompanying notes to the general purpose financial statements

Expendable Trust			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,621,000	\$2,755,809	\$134,809
0	0	0	4,031,545	3,956,617	(74,928)
500	645	145	150,500	117,542	(32,958)
0	0	0	10,700	15,358	4,658
3,500	2,882	(618)	120,100	98,728	(21,372)
3,000	171	(2,829)	3,800	171	(3,629)
0	0	0	2,500	6,424	3,924
<u>7,000</u>	<u>3,698</u>	<u>(3,302)</u>	<u>6,940,145</u>	<u>6,950,649</u>	<u>10,504</u>
0	0	0	3,456,257	3,237,617	218,640
0	0	0	869,687	561,432	308,255
0	0	0	65,428	64,573	855
14,950	1,250	13,700	14,950	1,250	13,700
0	0	0	123,877	118,787	5,090
0	0	0	354,682	332,579	22,103
0	0	0	275,191	179,946	95,245
0	0	0	95,104	83,558	11,546
0	0	0	812,673	801,130	11,543
0	0	0	190,820	178,939	11,881
0	0	0	46,630	43,247	3,383
0	0	0	886,728	788,398	98,330
0	0	0	372,676	354,848	17,828
13,418	3,878	9,540	388,351	319,182	69,169
0	0	0	13,515	13,515	0
0	0	0	10,527	10,527	0
<u>28,368</u>	<u>5,128</u>	<u>23,240</u>	<u>7,977,096</u>	<u>7,089,528</u>	<u>887,568</u>
<u>(21,368)</u>	<u>(1,430)</u>	<u>19,938</u>	<u>(1,036,951)</u>	<u>(138,879)</u>	<u>898,072</u>
0	0	0	0	926	926
0	0	0	(141,208)	0	141,208
0	0	0	3,637	3,637	0
0	0	0	(813,327)	(40,087)	773,240
<u>0</u>	<u>0</u>	<u>0</u>	<u>(950,898)</u>	<u>(35,524)</u>	<u>915,374</u>
(21,368)	(1,430)	19,938	(1,987,849)	(174,403)	1,813,446
21,120	21,120	0	1,588,360	1,588,360	0
248	248	0	402,309	402,309	0
<u>\$0</u>	<u>\$19,938</u>	<u>\$19,938</u>	<u>\$2,820</u>	<u>\$1,816,266</u>	<u>\$1,813,446</u>

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

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues			
Sales	\$229,271	\$0	\$229,271
Charges for Services	0	660,875	660,875
Other	1,219	2,172	3,391
<i>Total Operating Revenues</i>	<u>230,490</u>	<u>663,047</u>	<u>893,537</u>
Operating Expenses			
Salaries and Wages	98,230	0	98,230
Fringe Benefits	66,953	0	66,953
Purchased Services	0	95,525	95,525
Materials and Supplies	14,864	0	14,864
Cost of Sales	137,083	0	137,083
Depreciation	1,451	0	1,451
Claims	0	729,840	729,840
Other	380	0	380
<i>Total Operating Expenses</i>	<u>318,961</u>	<u>825,365</u>	<u>1,144,326</u>
<i>Operating Loss</i>	<u>(88,471)</u>	<u>(162,318)</u>	<u>(250,789)</u>
Non-Operating Revenues			
Donated Commodities	13,304	0	13,304
Operating Grants	60,374	0	60,374
Interest	0	2,343	2,343
<i>Total Non-Operating Revenues</i>	<u>73,678</u>	<u>2,343</u>	<u>76,021</u>
<i>Loss Before Operating Transfers</i>	<u>(14,793)</u>	<u>(159,975)</u>	<u>(174,768)</u>
Operating Transfers In	<u>36,450</u>	<u>0</u>	<u>36,450</u>
<i>Net Income (Loss)</i>	<u>21,657</u>	<u>(159,975)</u>	<u>(138,318)</u>
<i>Retained Earnings Beginning of Year - Restated (See Note 3)</i>	<u>13,102</u>	<u>447,953</u>	<u>461,055</u>
<i>Retained Earnings End of Year</i>	<u>34,759</u>	<u>287,978</u>	<u>322,737</u>
<i>Contributed Capital Beginning of Year</i>	<u>8,001</u>	<u>0</u>	<u>8,001</u>
Current Contributions:			
Contributions from Other Funds	<u>6,710</u>	<u>0</u>	<u>6,710</u>
<i>Contributed Capital End of Year</i>	<u>14,711</u>	<u>0</u>	<u>14,711</u>
<i>Fund Equity at End of Year</i>	<u><u>\$49,470</u></u>	<u><u>\$287,978</u></u>	<u><u>\$337,448</u></u>

See accompanying notes to the general purpose financial statements

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

	Enterprise			Internal Service			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues									
Sales	\$223,886	\$237,062	\$13,176	\$0	\$0	\$0	\$223,886	\$237,062	\$13,176
Charges for Services	0	0	0	222,056	667,839	445,783	222,056	667,839	445,783
Operating Grants	71,368	53,417	(17,951)	0	0	0	71,368	53,417	(17,951)
Interest	0	0	0	5,000	2,343	(2,657)	5,000	2,343	(2,657)
Other	1,500	1,219	(281)	5,019	2,172	(2,847)	6,519	3,391	(3,128)
Total Revenues	296,754	291,698	(5,056)	232,075	672,354	440,279	528,829	964,052	435,223
Expenses									
Salaries and Wages	131,521	112,148	19,373	0	0	0	131,521	112,148	19,373
Fringe Benefits	58,479	58,387	92	47,856	35,227	12,629	106,335	93,614	12,721
Purchased Services	500	75	425	773,583	784,632	(11,049)	774,083	784,707	(10,624)
Materials and Supplies	183,735	161,015	22,720	1,688	88	1,600	185,423	161,103	24,320
Capital Outlay	1,450	1,450	0	0	0	0	1,450	1,450	0
Other	500	380	120	6,157	21	6,136	6,657	401	6,256
Total Expenses	376,185	333,455	42,730	829,284	819,968	9,316	1,205,469	1,153,423	52,046
Excess of Revenues Under Expenses	(79,431)	(41,757)	37,674	(597,209)	(147,614)	449,595	(676,640)	(189,371)	487,269
Operating Transfers In	0	36,450	36,450	0	0	0	0	36,450	36,450
Excess of Revenues and Operating Transfers In Over (Under) Expenses	(79,431)	(5,307)	74,124	(597,209)	(147,614)	449,595	(676,640)	(152,921)	523,719
Fund Equity Beginning of Year	21,688	21,688	0	541,446	541,446	0	563,134	563,134	0
Prior Year Encumbrances Appropriated	28,247	28,247	0	55,763	55,763	0	84,010	84,010	0
Fund Equity End of Year	(\$29,496)	\$44,628	\$74,124	\$0	\$449,595	\$449,595	(\$29,496)	\$494,223	\$523,719

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<i>Increase/(Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$237,062	\$0	\$237,062
Cash Received from Quasi-External External Operating Transactions			
Operating Transactions with Other Funds	0	667,839	667,839
Cash Received from Other Operating Sources	1,219	2,172	3,391
Cash Payments for Goods and Services	(139,359)	(95,489)	(234,848)
Cash Payments to Employees for Services	(112,148)	0	(112,148)
Cash Payments for Employee Benefits	(58,387)	0	(58,387)
Cash Payments for Claims	0	(724,459)	(724,459)
Cash Payments for Other Operating Expenses	(380)	0	(380)
<i>Net Cash Used for Operating Activities</i>	<u>(71,993)</u>	<u>(149,937)</u>	<u>(221,930)</u>
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	53,417	0	53,417
Transfer In	36,450	0	36,450
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>89,867</u>	<u>0</u>	<u>89,867</u>
Cash Flows from Capital and Related Financing Activities			
Payments for Capital Acquisitions	(1,450)	0	(1,450)
Cash Flows from Investing Activities			
Interest on Investments	0	2,343	2,343
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	16,424	(147,594)	(131,170)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>49,935</u>	<u>597,209</u>	<u>647,144</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$66,359</u></u>	<u><u>\$449,615</u></u>	<u><u>\$515,974</u></u>

(continued)

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

	Enterprise	Internal Service	Totals (Memorandum Only)
Reconciliation of Operating Loss to Net Cash Used for Operating Activities			
<i>Operating Loss</i>	(\$88,471)	(\$162,318)	(\$250,789)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities			
Depreciation	1,451	0	1,451
Donated Commodities Used During Year	13,304	0	13,304
(Increase)/Decrease in Assets:			
Accounts Receivable	7,792	4,516	12,308
Inventory Held for Resale	736	0	736
Increase/(Decrease) in Liabilities:			
Accounts Payable	(1,451)	23	(1,428)
Accrued Wages	(2,088)	0	(2,088)
Compensated Absences Payable	(786)	0	(786)
Intergovernmental Payable	(2,480)	0	(2,480)
Deferred Revenue	0	2,461	2,461
Claims Payable	0	5,381	5,381
<i>Total Adjustments</i>	16,478	12,381	28,859
<i>Net Cash Used for Operating Activities</i>	(\$71,993)	(\$149,937)	(\$221,930)

Noncash Activities:

The enterprise funds received donated fixed assets from other funds in the amount of \$6,710.

See accompanying notes to the general purpose financial statements

This Page Intentionally Left Blank

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1876. The School District serves an area of approximately 94 square miles. It encompasses most of the northwest quadrant of Knox County, including the Village of Fredericktown and portions of surrounding townships. In addition, a very small portion of Morrow County is included in the School District boundaries. The School District is the 411th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 46 classified employees and 87 certificated employees who provide services to 1,246 students and other community members. The School District currently operates 3 instructional buildings and 2 support buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Fredericktown Local School District does not have any component units.

The School District is associated with the Tri-Rivers Educational Computer Association, a jointly governed organization and the Ohio School Boards Association Workers' Compensation Group Rating Program, a public entity risk pool. See Note 18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Proprietary Fund Types

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

Enterprise Funds

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

Internal Service Fund

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

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

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

Tax Budget

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding 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 certification saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations (Continued)

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

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$116,897 which includes \$44,563 assigned from other School District funds.

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

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 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.

F. Inventory

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

G. Restricted Assets

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

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

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

Assets in the general fixed assets account group are not depreciated. Enterprise fixed assets are depreciated on a straight-line basis over the following estimated useful lives:

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

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Special Revenue Funds

- Textbook and Instructional Materials

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

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

Capital Projects Funds

State Property Tax Relief
Technology Equity

Reimbursable Grants

General Fund

Driver Education
Vocational Education Travel/Salary

Proprietary Funds

National School Lunch Program
National School Milk Program
Government Donated Commodities

Grants and entitlements amounted to 60 percent of the School District's governmental fund revenue during the 1999 fiscal year.

J. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

For the year ending June 30, 1999, the School District changed the criteria for estimating the compensated absences long term liability. The School District records a liability for accumulated unused sick leave for employees after eleven years of current service with the School District. This change significantly increased the compensated absences liability recognized for June 30, 1999. See note 14.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Transactions

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

M. Fund Balance Reserves

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Fund balance in the general fund includes a designation that represents the amount set-aside by the Board of Education for budget stabilization and textbooks in excess of the statutory requirement.

N. Contributed Capital

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

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENTS

For fiscal year 1999, the School District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Plan (OPEDCP). On September 1, 1998, the OPEDCP created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, the balance of the OPEDCP is no longer presented as part of the School District's financial statements.

At June 30, 1999, cash was overstated in the internal service fund. Retained earnings was decreased by \$97,056 from \$545,009 to \$447,953.

4. COMPLIANCE

Contrary to Section 5705.41(B), Ohio Revised Code, the internal service purchased services account had expenditures plus encumbrances in excess of appropriations in the amount of \$11,049.

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

4. COMPLIANCE (Continued)

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1999.

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Enterprise Funds:			
Food Service	\$307,822	\$316,204	\$8,382
Uniform School Supplies	38,867	59,981	21,114

5. BUDGETARY BASIS OF ACCOUNTING

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

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 and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$382,550	(\$11,243)	\$322,535	(\$688)
Net Adjustment for Revenue Accruals	(27,330)	0	(454,791)	(294)
Net Adjustment for Expenditure Accruals	(29,497)	(13,873)	(3,203)	105
Adjustment for Encumbrances	<u>(226,372)</u>	<u>(20,569)</u>	<u>(91,180)</u>	<u>(553)</u>
Budget Basis	<u>\$99,351</u>	<u>(\$45,685)</u>	<u>(\$226,639)</u>	<u>(\$1,430)</u>

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

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Enterprise	Internal Service
GAAP Basis	\$21,657	(\$159,975)
Net Adjustment for Revenue Accruals	835	6,977
Net Adjustment for Expense Accruals	(6,069)	5,404
Capital Outlay	(1,450)	0
Depreciation Expense	1,451	0
Adjustment for Encumbrances	(21,731)	(20)
Budget Basis	(\$5,307)	(\$147,614)

6. DEPOSITS AND INVESTMENTS

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure repayment of all public monies deposited with the institution.

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

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

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

6. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in a amount not to exceed twenty-five percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At June 30, 1999, the School District's self-insurance internal service fund had a cash balance of \$449,615 with OME-RESA, a claims servicing pool (See Note 18). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, Ohio 43952.

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

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

6. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the School District's deposits was \$998,848 and the bank balance was \$1,059,511. \$100,000 of the bank balance was covered by federal depository insurance. \$959,511 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' 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 FDIC.

Investments: The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District's investment in STAR Ohio at June 30, 1999, had a fair market value of \$1,311,789.

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

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

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement No. 9	\$2,760,252	\$0
Cash Held by Fiscal Agent	(449,615)	0
Investments which are part of a cash management		
Investment in State Treasurer's Investment Pool	(1,311,789)	1,311,789
GASB Statement No. 3	\$998,848	\$1,311,789

7. PROPERTY TAXES

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

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

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

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

7. PROPERTY TAXES (Continued)

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

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

The assessed values upon which the 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	\$64,681,690	78.92 %	\$65,694,868	78.59 %
Public Utility Personal	4,985,350	6.08	5,026,500	6.02
Tangible Personal Property	12,291,306	15.00	12,875,517	15.39
Total Assessed Values	<u>\$81,958,346</u>	<u>100.00 %</u>	<u>\$83,596,885</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$46.70		\$46.70	

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

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

The School District receives property taxes from Knox and Morrow Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Fredericktown Local School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, 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 year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the School District as an advance at June 30, 1999, was \$879,080 in the general fund and \$60,818 in the permanent improvement capital projects fund.

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

8. RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (customer services, insurance premiums and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Tuition	\$25,396
Emergency Repair Capital Projects Fund	450,000
Food Service Enterprise Fund	6,957
Total	\$482,353

9. FIXED ASSETS

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

Furniture and Equipment	\$113,012
Less accumulated depreciation	(95,203)
Net Fixed Assets	\$17,809

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

	Balance 7/1/98	Additions	Deletions	Balance 6/30/99
Land and Improvements	\$112,322	\$46,294	\$0	\$158,616
Buildings and Improvements	2,581,991	193,752	0	2,775,743
Furniture and Equipment	1,233,798	110,839	(53,487)	1,291,150
Vehicles	444,383	98,500	(20,000)	522,883
Total	\$4,372,494	\$449,385	(\$73,487)	\$4,748,392

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

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Nationwide for fleet and Westfield Companies for property and liability insurance coverages as follows:

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

10. RISK MANAGEMENT (Continued)

A. Property and Liability (Continued)

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents - replacement cost	\$1,000	\$12,999,649
Automobile Liability	0	2,000,000
General Liability:		
Per Occurrence	0	2,000,000
Total Per Year	0	5,000,000

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

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical and surgical insurance is offered to all employees, and dental insurance is offered to certificated employees through a self insurance internal fund. The School District is self insured with Self-Funded Plans, Inc. serving as the third party administrator. The claims liability of \$108,013 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 1999 and 1998 is as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
1998	\$93,737	\$564,566	\$555,671	\$102,632
1999	102,632	729,840	724,459	108,013

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

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 \$61,044, \$119,316 and \$111,936, respectively; 47.52 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$32,037 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 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 \$200,588, \$359,625 and \$357,575, respectively; 80.52 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$39,077 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$267,450 for fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$49,945.

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.

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

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 216 days for classified employees and 220 days for certified employees. Upon retirement, payment is made for 25 percent of total sick leave accumulated; to a maximum of 55 days for classified employees, to a maximum of 54 days for certificated employees with less than 165 days and to a maximum of 55 days for certificated employees with more than 165 days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Insurance

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

14. LONG-TERM OBLIGATIONS

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

	Outstanding 6/30/98	Additions	Reductions	Outstanding 6/30/99
Energy Conservation Bonds 5.35%	\$203,515	\$0	\$13,515	\$190,000
Compensated Absences	291,082	338,407	0	629,489
Intergovernmental Payable	35,475	53,165	35,475	53,165
Capital Lease	12,003	0	5,763	6,240
Total General Long-Term Obligations	\$542,075	\$391,572	\$54,753	\$878,894

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

The School District's overall legal debt margin was \$7,523,720 unvoted debt margin of \$83,597 at June 30, 1999. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

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

14. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$15,000	\$9,764	\$24,764
2001	20,000	8,827	28,827
2002	20,000	7,757	27,757
2003	20,000	6,687	26,687
2004	20,000	5,618	25,618
2005-2007	95,000	10,566	105,566
Total	<u>\$190,000</u>	<u>\$49,219</u>	<u>\$239,219</u>

15. CAPITALIZED LEASES - LESSEE DISCLOSURE

During prior years, the School District entered into a capitalized lease for a copier. The 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 general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$26,774, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

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

Fiscal Year Ending June 30,	General Long-Term Obligations
2000	\$6,515
Total minimum lease payments	6,515
Less: amount representing interest	(275)
Present value of minimum lease payments	<u>\$6,240</u>

16. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,272,754 of school foundation support for its general fund.

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

16. STATE SCHOOL FUNDING DECISION (Continued)

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 that 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 these financial statements, 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 this program and on its financial operations.

17. CONTINGENCIES

A. Grants

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

B. Litigation

The Fredericktown Local School District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect adverse on the overall financial position of the School District at June 30, 1999.

18. JOINTLY GOVERNED ORGANIZATION AND PUBLIC ENTITY RISK POOL

A. Jointly Governed Organization

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

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

18. JOINTLY GOVERNED ORGANIZATION AND PUBLIC ENTITY RISK POOL (Continued)

B. Public Entity Risk Pool

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

19. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$200,488	\$30,002	\$230,490
Depreciation	1,451	0	1,451
Operating Income (Loss)	(89,502)	1,031	(88,471)
Donated Commodities	13,304	0	13,304
Operating Grants	60,374	0	60,374
Fixed Assets Additions	8,160	0	8,160
Current Capital Contributions	6,710	0	6,710
Operating Transfers In	36,450	0	36,450
Net Income (Loss)	20,626	1,031	21,657
Net Working Capital	18,393	24,778	43,171
Total Assets	67,927	29,817	97,744
Long-Term Compensated Absences Payable	11,510	0	11,510
Total Equity	24,692	24,778	49,470
Encumbrances at June 30, 1999	2,410	19,321	21,731

20. YEAR 2000 ISSUE

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

The School 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 conduct School District operations and has identified such systems as being financial reporting, payroll and employee benefits. The School District has two school buildings with efficient power heating systems which have efficiency utilization measures within the systems.

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

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

20. YEAR 2000 ISSUE (Continued)

The Northwest Ohio Computer Association State Software Development Team states that,

“The payroll processing software supported with the OECN State Software is compliant with the Year 2000, beginning with the September 1997 release of USPS V4.0.

The accounting software supported with the OECN State Software is compliant with the Year 2000, beginning with the June 1998 release of USAS V6.1.

The equipment inventory and vehicle inventory system software supported with the OECN State Software will be compliant with the Year 2000, beginning with the December 1998 release of SAAS V2.0.

The education management information system software supported with the OECN State Software will be compliant with the Year 2000, beginning with the September 1998 release of EMIS V1.7.”

Knox and Morrow Counties collect taxes for distribution to the School District. Knox and Morrow Counties are responsible for remediating their tax collection systems.

The School District is currently in the assessment stage over the efficient power heating systems. An external vendor was contacted to remediate the system if needed. Testing and validation of these systems will also need to be completed.

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 School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

21. SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$35,815	\$35,815
Current Year Set-aside Requirement	96,063	96,063	48,031	240,157
Current Year Offsets	(18,269)	(96,063)	0	(114,332)
Qualifying Disbursements	0	0	0	0
Set-aside Cash Balance as of June 30,	<u>\$77,794</u>	<u>\$ 0</u>	<u>\$83,846</u>	
Total Restricted Assets				<u>\$161,640</u>

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

22. SET-ASIDES (Continued)

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented. The general fund balance includes \$204,345 that has been designated for the amount of set-asides in excess of requirements.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED 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
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$12,318	\$0	\$13,304
National School Lunch Program	047852-04-PU-00	10.555	\$49,134	0	\$49,134	0
Special Milk Program	047852-02-PU-00	10.556	1,431	0	1,431	0
Total U.S. Department of Agriculture - Nutrition Cluster			50,565	12,318	50,565	13,304
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	047852-6B-SF-99	84.027	67,764	0	83,676	0
Title VI	047852-C2-S1-99	84.151	4,658	0	5,603	0
Title III	047852-G2-S2-99	84.276	5,000	0	2,000	0
Drug Free Schools Grant	047852-DR-S1-99	84.186	6,695	0	4,948	0
Grants to Local Educational Agencies (ESEA Title I)	047852-C1-S1-99	84.010	118,904	0	125,064	0
Total U. S. Department of Education			203,021	0	221,291	0
<u>U.S. DEPARTMENT OF HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Education:</i>						
Early Childhood Development	047852-DC-S1-00	93.673	0	0	8,248	0
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>Passed Through Ohio Department of Education:</i>						
School to Work Grant	047852-WK-BE-00	17.249	0	0	4,413	0
<u>U.S. OFFICE OF LIBRARY SERVICES</u>						
<i>Passed Through State Library of Ohio:</i>						
LSTA Library Grant		45.310	10,476	0	9,545	0
Totals			\$264,062	\$12,318	\$294,062	\$13,304

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the 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 of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Board of Education
Fredericktown Local School District
Knox County
124 W. Second Street
Fredericktown, Ohio 43019

We have audited the general-purpose financial statements of Fredericktown Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 6, 1999, wherein we noted the District changed its accounting for the deferred compensation plan. 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 general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10642-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 6, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 6, 1999.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

December 6, 1999



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Board of Education
Fredericktown Local School District
Knox County
134 W. Second Street
Fredericktown, Ohio 43019

Compliance

We have audited the compliance of Fredericktown Local School District, Knox County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 6, 1999.

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



JIM PETRO
Auditor of State

December 6, 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)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	ESEA Title I, CFDA #84.010 IDEA Part B, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Ohio Revised Code Section 5705.39 prohibits total appropriations from each fund from exceeding total estimated revenue.

The Uniform School Supplies Fund had appropriations which exceeded estimated revenue by \$21,114.

The District Treasurer should closely monitor appropriations in respect to estimated revenue. Also, the Treasurer should ensure that all amendments to estimated resources and appropriations be posted to the District's financial records.

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

FREDERICKTOWN LOCAL SCHOOL DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 11, 2000**