



**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

REPORT OF INDEPENDENT ACCOUNTANTS

Frontier Local School District
Washington County
Rt. 3, Box 134
New Matamoras, Ohio 45767-9756

To Members of the Board.

We have audited the accompanying general purpose financial statements of Frontier Local School District, Washington County, (the School 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 School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting the activity of the Student Activity Fund-Agency Fund Type, nor were we able to satisfy ourselves as to completeness and accuracy by other auditing procedures. This activity represents 100 percent of the assets and liabilities of the Agency Fund Type.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain sufficient evidential matter to support the completeness of amounts recorded as assets and liabilities in the School District's Student Activity Fund-Agency Fund Type, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for 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". The signature is written in a cursive style with a large, sweeping initial "J".

Jim Petro
Auditor of State

January 21, 2000

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Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,671,692	\$44,557	\$0	\$219,965
Cash and Cash Equivalents in Segregated Accounts	0	169	0	0
Receivables				
Taxes	1,353,926	0	35,990	0
Accounts	4,394	0	0	0
Intergovernmental	216	62,480	0	28,226
Interfund	4,377	0	0	0
Materials and Supplies Inventory	4,110	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	36,697	0	0	0
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	127,114	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u><u>\$3,202,526</u></u>	<u><u>\$107,206</u></u>	<u><u>\$35,990</u></u>	<u><u>\$248,191</u></u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$19,011	\$12,710	\$0	\$0	\$1,967,935
	0	0	0	169
0	0	0	0	1,389,916
1,850	0	0	0	6,244
22,863	0	0	0	113,785
0	0	0	0	4,377
188	0	0	0	4,298
7,758	0	0	0	7,758
0	0	0	0	36,697
0	0	0	0	127,114
24,571	0	5,045,326	0	5,069,897
0	0	0	726,615	726,615
<u>\$76,241</u>	<u>\$12,710</u>	<u>\$5,045,326</u>	<u>\$726,615</u>	<u>\$9,454,805</u>

(continued)

Combined Balance Sheet
All Fund Types and Account Groups (Continued)
June 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$40,339	\$4,776	\$0	\$62,955
Contracts Payable	585	0	0	1,000
Accrued Wages and Benefits Payable	406,183	57,330	0	0
Compensated Absences Payable	0	0	0	0
Interfund Payable	0	4,377	0	0
Intergovernmental Payable	119,754	8,720	0	0
Capital Leases Payable	0	0	0	0
Deferred Revenue	1,339,131	0	35,990	28,226
Due to Students	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
Total Liabilities	<u>1,905,992</u>	<u>75,203</u>	<u>35,990</u>	<u>92,181</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings				
Unreserved (Deficit)	0	0	0	0
Fund Balance				
Reserved for Encumbrances	138,123	4,615	0	12,441
Reserved for Inventory	4,110	0	0	0
Reserved for Property Taxes	14,795	0	0	0
Reserved for Budget Stabilization	60,286	0	0	0
Reserved for School Bus Purchases	66,828	0	0	0
Unreserved				
Designated for Textbooks and Capital Improvements	368,644	0	0	0
Undesignated	643,748	27,388	0	143,569
Total Fund Equity and Other Credits	<u>1,296,534</u>	<u>32,003</u>	<u>0</u>	<u>156,010</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,202,526</u>	<u>\$107,206</u>	<u>\$35,990</u>	<u>\$248,191</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$403	\$0	\$0	\$0	\$108,473
0	0	0	0	1,585
24,986	0	0	0	488,499
19,828	0	0	407,134	426,962
0	0	0	0	4,377
9,941	0	0	52,607	191,022
0	0	0	38,874	38,874
6,092	0	0	0	1,409,439
0	12,710	0	0	12,710
0	0	0	228,000	228,000
<u>61,250</u>	<u>12,710</u>	<u>0</u>	<u>726,615</u>	<u>2,909,941</u>
0	0	5,045,326	0	5,045,326
152,285	0	0	0	152,285
(137,294)	0	0	0	(137,294)
0	0	0	0	155,179
0	0	0	0	4,110
0	0	0	0	14,795
0	0	0	0	60,286
0	0	0	0	66,828
0	0	0	0	368,644
0	0	0	0	814,705
<u>14,991</u>	<u>0</u>	<u>5,045,326</u>	<u>0</u>	<u>6,544,864</u>
<u>\$76,241</u>	<u>\$12,710</u>	<u>\$5,045,326</u>	<u>\$726,615</u>	<u>\$9,454,805</u>

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
Property Taxes	\$1,148,833	\$0	\$36,340	\$0	\$1,185,173
Intergovernmental	4,118,376	538,308	0	325,744	4,982,428
Interest	68,172	0	0	0	68,172
Tuition and Fees	12,964	0	0	0	12,964
Extracurricular Activities	0	63,874	0	0	63,874
Miscellaneous	54,011	8,468	0	0	62,479
Total Revenues	<u>5,402,356</u>	<u>610,650</u>	<u>36,340</u>	<u>325,744</u>	<u>6,375,090</u>
Expenditures:					
Current					
Instruction:					
Regular	2,205,331	80,489	0	0	2,285,820
Special	395,689	267,208	0	0	662,897
Vocational	179,181	0	0	0	179,181
Adult/Continuing	0	7,874	0	0	7,874
Support Services					
Pupils	25,000	40,301	0	0	65,301
Instructional Staff	158,238	83,653	0	0	241,891
Board of Education	25,118	0	0	0	25,118
Administration	441,495	25,205	0	0	466,700
Fiscal	410,914	1,807	0	0	412,721
Operation and Maintenance of Plant	656,238	87,576	0	0	743,814
Pupil Transportation	520,532	50	0	0	520,582
Central	0	5,967	0	0	5,967
Extracurricular Activities	39,394	75,952	0	0	115,346
Capital Outlay	54,662	0	0	586,752	641,414
Debt Service					
Principal	15,164	0	22,000	0	37,164
Interest and Fiscal Charges	0	0	14,340	0	14,340
Total Expenditures	<u>5,126,956</u>	<u>676,082</u>	<u>36,340</u>	<u>586,752</u>	<u>6,426,130</u>
Excess of Revenues Over (Under) Expenditures	<u>275,400</u>	<u>(65,432)</u>	<u>0</u>	<u>(261,008)</u>	<u>(51,040)</u>
Other Financing Sources (Uses):					
Operating Transfers In	47,531	50,672	0	26,328	124,531
Inception of Capital Lease	54,038	0	0	0	54,038
Operating Transfers Out	(77,448)	(1,696)	0	(45,387)	(124,531)
Total Other Financing Sources (Uses)	<u>24,121</u>	<u>48,976</u>	<u>0</u>	<u>(19,059)</u>	<u>54,038</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	299,521	(16,456)	0	(280,067)	2,998
Fund Balance at Beginning of Year	<u>997,013</u>	<u>48,459</u>	<u>0</u>	<u>436,077</u>	<u>1,481,549</u>
Fund Balance at End of Year	<u>\$1,296,534</u>	<u>\$32,003</u>	<u>\$0</u>	<u>\$156,010</u>	<u>\$1,484,547</u>

See accompanying notes to the general purpose financial statements

Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,150,146	\$1,150,146	\$0
Intergovernmental	4,102,923	4,130,785	27,862
Interest	68,172	68,172	0
Tuition and Fees	10,767	10,767	0
Extracurricular Activities	0	0	0
Miscellaneous	34,224	34,224	0
Total Revenues	5,366,232	5,394,094	27,862
Expenditures:			
Current			
Instruction			
Regular	2,198,280	2,196,607	1,673
Special	425,550	425,550	0
Vocational	174,215	173,969	246
Adult/Continuing	0	0	0
Support Services			
Pupils	24,136	24,115	21
Instructional Staff	131,584	154,224	(22,640)
Board of Education	22,986	22,846	140
Administration	429,655	429,655	0
Fiscal	415,458	415,458	0
Business	100	0	100
Operation and Maintenance of Plant	694,845	694,845	0
Pupil Transportation	545,832	545,832	0
Central	3,128	3,128	0
Extracurricular Activities	40,305	40,305	0
Capital Outlay	450	450	0
Debt Service			
Principal Retirement	15,164	15,164	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	5,121,688	5,142,148	(20,460)
Excess of Revenues Over (Under) Expenditures	244,544	251,946	7,402
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	3,836	3,836	0
Other Financing Sources	26,014	26,014	0
Advances In	4,816	4,816	0
Advances Out	0	0	0
Operating Transfers In	47,531	47,531	0
Operating Transfers Out	(77,448)	(77,448)	0
Total Other Financing Sources (Uses)	4,749	4,749	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	249,293	256,695	7,402
Fund Balances at Beginning of Year	1,259,956	1,259,956	0
Prior Year Encumbrances Appropriated	109,731	109,731	0
Fund Balances at End of Year	\$1,618,980	\$1,626,382	\$7,402

(continued)

Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$0	\$0	\$0
Intergovernmental	475,828	475,828	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	64,630	64,630	0
Miscellaneous	7,715	7,715	0
Total Revenues	548,173	548,173	0
Expenditures:			
Current			
Instruction			
Regular	79,015	75,428	3,587
Special	262,544	260,810	1,734
Vocational	0	0	0
Adult/Continuing	8,527	7,133	1,394
Support Services			
Pupils	44,435	39,972	4,463
Instructional Staff	80,453	80,453	0
Board of Education	0	0	0
Administration	24,569	24,569	0
Fiscal	1,807	1,807	0
Business	0	0	0
Operation and Maintenance of Plant	87,576	87,576	0
Pupil Transportation	1,408	50	1,358
Central	6,174	6,174	0
Extracurricular Activities	79,558	79,476	82
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	676,066	663,448	12,618
Excess of Revenues Over (Under) Expenditures	(127,893)	(115,275)	12,618
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	753	753	0
Other Financing Sources	0	0	0
Advances In	0	0	0
Advances Out	(4,816)	(4,816)	0
Operating Transfers In	50,672	50,672	0
Operating Transfers Out	(1,696)	(1,696)	0
Total Other Financing Sources (Uses)	44,913	44,913	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(82,980)	(70,362)	12,618
Fund Balances at Beginning of Year	103,522	103,522	0
Prior Year Encumbrances Appropriated	2,599	2,599	0
Fund Balances at End of Year	\$23,141	\$35,759	\$12,618

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$36,340	\$36,340	\$0	\$0	\$0	\$0
0	0	0	280,755	325,744	44,989
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>36,340</u>	<u>36,340</u>	<u>0</u>	<u>280,755</u>	<u>325,744</u>	<u>44,989</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	595,026	599,194	(4,168)
22,000	22,000	0	0	0	0
14,340	14,340	0	0	0	0
<u>36,340</u>	<u>36,340</u>	<u>0</u>	<u>595,026</u>	<u>599,194</u>	<u>(4,168)</u>
0	0	0	(314,271)	(273,450)	40,821
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	26,328	26,328	0
0	0	0	(45,387)	(45,387)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(19,059)</u>	<u>(19,059)</u>	<u>0</u>
0	0	0	(333,330)	(292,509)	40,821
0	0	0	115,519	115,519	0
0	0	0	320,558	320,558	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$102,747</u>	<u>\$143,568</u>	<u>\$40,821</u>

(continued)

Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,186,486	\$1,186,486	\$0
Intergovernmental	4,859,506	4,932,357	72,851
Interest	68,172	68,172	0
Tuition and Fees	10,767	10,767	0
Extracurricular Activities	64,630	64,630	0
Miscellaneous	41,939	41,939	0
Total Revenues	6,231,500	6,304,351	72,851
Expenditures:			
Current			
Instruction			
Regular	2,277,295	2,272,035	5,260
Special	688,094	686,360	1,734
Vocational	174,215	173,969	246
Adult/Continuing	8,527	7,133	1,394
Support Services			
Pupils	68,571	64,087	4,484
Instructional Staff	212,037	234,677	(22,640)
Board of Education	22,986	22,846	140
Administration	454,224	454,224	0
Fiscal	417,265	417,265	0
Business	100	0	100
Operation and Maintenance of Plant	782,421	782,421	0
Pupil Transportation	547,240	545,882	1,358
Central	9,302	9,302	0
Extracurricular Activities	119,863	119,781	82
Capital Outlay	595,476	599,644	(4,168)
Debt Service			
Principal Retirement	37,164	37,164	0
Interest and Fiscal Charges	14,340	14,340	0
Total Expenditures	6,429,120	6,441,130	(12,010)
Excess of Revenues Over (Under) Expenditures	(197,620)	(136,779)	60,841
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	4,589	4,589	0
Other Financing Sources	26,014	26,014	0
Advances In	4,816	4,816	0
Advances Out	(4,816)	(4,816)	0
Operating Transfers In	124,531	124,531	0
Operating Transfers Out	(124,531)	(124,531)	0
Total Other Financing Sources (Uses)	30,603	30,603	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(167,017)	(106,176)	60,841
Fund Balances at Beginning of Year	1,478,997	1,478,997	0
Prior Year Encumbrances Appropriated	432,888	432,888	0
Fund Balances at End of Year	\$1,744,868	\$1,805,709	\$60,841

See accompanying notes to the general purpose financial statements

Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise
Operating Revenues:	
Sales	\$141,155
Total Revenues	141,155
Operating Expenses:	
Salaries and Wages	112,772
Fringe Benefits	62,592
Purchased Services	4,915
Materials and Supplies	44,391
Cost of Sales	140,195
Depreciation	573
Other	5,326
Total Expenses	370,764
Operating Loss	(229,609)
Non-Operating Revenues:	
Federal Donated Commodities	41,140
Operating Grants	167,541
Total Non-Operating Revenues	208,681
Net Loss	(20,928)
Retained Earnings (Deficit) at Beginning of Year	(116,366)
Retained Earnings (Deficit) at End of Year	(137,294)
Contributed Capital at Beginning of Year	138,591
Contributions from Other Funds	13,694
Contributed Capital at End of Year	152,285
Total Fund Equity at End of Year	\$14,991

See accompanying notes to the general purpose financial statements

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

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$140,583	\$140,583	\$0
Operating Grants	166,880	166,880	0
Total Revenues	307,463	307,463	0
Expenses:			
Salaries and Wages	104,106	104,106	0
Fringe Benefits	59,674	59,674	0
Purchased Services	4,930	4,930	0
Materials and Supplies	143,641	143,641	0
Other	7,622	7,622	0
Capital Outlay	1,100	1,100	0
Total Expenses	321,073	321,073	0
Excess of Revenues Under Expenses	(13,610)	(13,610)	0
Fund Equity at Beginning of Year	28,971	28,971	0
Prior Year Encumbrances Appropriated	291	291	0
Fund Equity at End of Year	\$15,652	\$15,652	\$0

See accompanying notes to the general purpose financial statements

Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$140,583
Cash Payments to Suppliers for Goods and Services	(147,508)
Cash Payments for Employee Services	(104,106)
Cash Payments for Employee Benefits	(59,674)
Cash Payments for Other Expenses	(5,326)
	(176,031)
Net Cash Used in Operating Activities	(176,031)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	166,880
	166,880
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(1,100)
	(1,100)
Net Decrease in Cash and Cash Equivalents	(10,251)
Cash and Cash Equivalents at Beginning of Year	29,262
	29,262
Cash and Cash Equivalents at End of Year	\$19,011
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	(\$229,609)
	(\$229,609)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Donated Commodities Used During Year	41,140
Depreciation Expense	573
	41,713
Changes in Assets and Liabilities	
Increase in Accounts Receivable	(975)
Decrease in Prepaids	3,357
Decrease in Materials and Supplies Inventory	46
Decrease in Inventory Held for Resale	807
Increase in Accounts Payable	403
Increase in Accrued Wages and Benefits Payable	9,454
Increase in Compensated Absences Payable	4,443
Decrease in Intergovernmental Payables	(5,670)
	16,815
Total Adjustments	53,578
Net Cash Used in Operating Activities	(\$176,031)

Non-Cash Transactions

During Fiscal Year 1999, the Food Service Enterprise Fund received non-cash contributions of \$13,694. This amount is derived from donated assets by the Ohio School Facilities Capital Projects Fund.

See accompanying notes to the general purpose financial statements.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Frontier Local School District operates under a locally-elected board form of government and provides educational services as authorized by State and/or federal agencies. This board controls the School District's four instructional/support facilities staffed by 52 classified employees, 80 certificated full time teaching personnel, and 5 administrators, who provide services to 1,069 students and other community members.

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

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

The School District is associated with the Southeast Ohio Voluntary Educational Consortium, the Washington County Joint Vocational School, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

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

GOVERNMENTAL FUND TYPES:

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

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

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

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

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

PROPRIETARY FUND TYPE:

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

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

FIDUCIARY FUND TYPE:

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

ACCOUNT GROUPS:

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

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

General Long-Term Obligations Account Group - This account group is established to account for

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

all long-term obligations of the School District except those accounted for in the proprietary fund

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. 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 year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, 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. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. 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 when they are earned, and expenses are recognized when they are incurred. There were no unbilled service charges receivable at year end. 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.

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. The district budgets for advances.

Tax Budget.

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

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

Estimated Resources:

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

Appropriations:

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

The School District has 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$68,172, which includes \$11,006 assigned from other School District funds.

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year, the School District had no investments that met these criteria.

E. Restricted Assets

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Fixed Assets and Depreciation

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

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

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

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues, 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
- State Property Tax Relief
- School Bus Purchase

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

Special Revenue Funds
Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants
Special Revenue Funds
Title VI-B
Title I
Title VI
Professional Development
Drug Free Schools
Educational Management Information System
Eisenhower Grant
Goals 2000 Grant
School Net Professional Development
Textbook Subsidy
Guidance Grant

Capital Projects Funds
School Net
School Net Plus
Technology Equity
Ohio School Facilities

Reimbursable Grant
Special Revenue Funds
Disaster Flood Relief

Proprietary Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 78 percent of governmental fund revenue during the 1999 fiscal year

J. Interfund Assets/Liabilities

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

K. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Transactions

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

N. Fund Balance Reserves and Designations

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

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

O. Contributed Capital

Contributed capital represents resources from other funds and other governments provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital increased by \$13,694 during fiscal year 1999.

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 1999, the Disadvantaged Pupil Impact Aid the Title I Special Revenue Funds had deficit fund balances of \$12,655 and \$46,805, respectively, primarily due to the application of generally accepted accounting principles. The General Fund provided transfers to the special revenue funds to cover deficit balances, however, this is done when cash is needed rather than when accruals occur.

The Food Service Enterprise Fund had deficit retained earnings of \$139,259 due to the recognition of contributed capital in accordance with generally accepted accounting principles. In addition, the School District has not established charges for services sufficient to cover costs of operations. The School District will review this practice to determine possible alternatives.

B. Statutory Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

	<u>Excess</u>
General Fund	
Support Services	
Instructional Staff	
Capital Outlay	\$22,640
Schoolnet Plus Capital Projects Fund	
Regular Instruction	
Capital Outlay - New	28,469

Ohio Revised Code Section 5705.39 prohibits appropriations from exceeding estimated resources and carryover balances. The following fund had appropriations in excess of estimated resources and carryover balances:

	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
Special Revenue Fund			
Disaster Relief	\$93,046	\$92,950	\$96

The District will revise the appropriation ordinance during the year and amend the certificate of estimated resources as needed in an effort to eliminate appropriations in excess of estimated resources in the future.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

actual results with the budget. The major differences between the budget basis and GAAP basis are that

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$299,521	(\$16,456)	(\$280,067)
Revenue Accruals	(32,450)	(61,555)	0
Adjustment for Non-Budgeted Activity	0	(169)	0
Expenditure Accruals	157,232	21,432	63,955
Encumbrances	(172,424)	(8,798)	(76,397)
Advances In	4,816	0	0
Advances Out	<u>0</u>	<u>(4,816)</u>	<u>0</u>
Budget Basis	<u>\$256,695</u>	<u>(\$70,362)</u>	<u>(\$292,509)</u>

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

Net Loss/Excess of Revenues Under Expenses
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	(\$20,928)
Revenue Accruals	(1,233)
Expense Accruals	12,437
Capital Outlay	(1,100)
Depreciation Expense	573
Encumbrances	(3,359)
Budget Basis	(\$13,610)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States,
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities,

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

- 3 Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days,
- 4 Bond and other obligations of the State of Ohio,
- 5 No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions,
- 6 The State Treasurer's investment pool (STAR Ohio),
- 7 Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time, and,
- 8 Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,532,303 and the bank balance was \$1,565,570. Of the bank balance, \$100,169 was covered by federal depository insurance and \$1,465,401 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The fair value of the investment in STAR Ohio at June 30, 1999, was \$562,915. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,095,218	\$0
Investment STAR Ohio	(562,915)	562,915
GASB Statement 3	\$1,532,303	\$562,915

NOTE 6 - PROPERTY TAXES

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

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

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

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

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

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	\$31,298,250	79%	\$36,562,530	81%
Public Utility	6,131,780	16%	5,915,460	13%
Tangible Personal Property	1,833,540	5%	2,529,170	6%
Total Assessed Value	\$39,263,570	100%	\$45,007,160	100%
Tax Rate per \$1,000 of Assessed Valuation	\$40.40		\$39.40	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or 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 semi-annually. If paid annually, payment is due April 30, if paid semi-annually, the first

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

payment is due April 30, with the remainder payable by September 20

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue or that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$14,795 and is recognized as revenue in the General Fund. At June 30, 1998, \$16,108 was available to the School District.

NOTE 7 - RECEIVABLES

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

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund	
Foundation Adjustment	<u>\$216</u>
Special Revenue Funds	
Title VI-B	22,207
FEMA Reimbursement	<u>40,273</u>
Total Special Revenue Funds	<u>62,480</u>
Capital Projects Fund	
Ohio School Facilities Reimbursement	<u>\$28,226</u>
Enterprise Fund	
National School Lunch Program	<u>\$22,863</u>
Total Intergovernmental Receivables	<u><u>\$113,785</u></u>

NOTE 8 - FIXED ASSETS

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

Furniture and Equipment	\$162,529
Less Accumulated depreciation	<u>(137,958)</u>
Net Fixed Assets	<u><u>\$24,571</u></u>

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

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

	Balance at <u>06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/99</u>
Land and Improvements	\$429,864	\$0	\$0	\$429,864
Buildings and Improvements	2,359,102	298,301	0	2,657,403
Furniture and Equipment	868,333	90,214	0	958,547
Infrastructure	14,826	47,180	0	62,006
Vehicles	<u>882,371</u>	<u>55,135</u>	<u>0</u>	<u>937,506</u>
Total	<u>\$4,554,496</u>	<u>\$490,830</u>	<u>\$0</u>	<u>\$5,045,326</u>

NOTE 9- 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 Barengo Insurance Agency for auto, inland marine, property insurance and boiler and machinery coverage. The policies include a \$500 deductible except for the auto insurance which has a deductible of \$100.

Professional and general liability is protected by the Nationwide Insurance Company with a \$2,000,000 single occurrence limit and no deductible. Vehicles are also covered by Nationwide Insurance Company and holds a \$100 deductible for comprehensive and a \$100 deductible for collision. Automobile liability has a \$450,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last 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 performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Co provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits on eligible service credit 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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

Retirement System, 275 E Broad Street, Columbus, Ohio 43215-3771

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 recommendation 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 \$139,644, \$233,308, and \$244,236, respectively, 80 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$27,379 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 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 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 \$62,063, \$74,638, and \$70,844, respectively, 39 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$37,693 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.

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 has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POST-EMPLOYMENT 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS 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 shall be 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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

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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 \$186,192 during 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 has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$62,719.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 230 days for certified employees and up to 215 days for classified employees. Upon retirement, certified employees receive payment as follows: thirty percent of 120 days maximum for five to nine years of service, thirty percent of 230 days maximum for 10 or more years of service. Classified employees, upon retirement, receive payment for accumulated sick leave days as follows: 30 days maximum for five to nine years of service, 45 days maximum for 10 or more years of service.

B. Insurance Benefits

The School District provides major medical, health, and prescription coverage through Anthem Blue Cross and Blue Shield of Ohio. The School District pays monthly premiums of up to \$481.53 for family coverage and up to \$172.42 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Community National Assurance in the amount of \$20,000.

Dental coverage is provided through Core Source, Incorporated. Premiums for this coverage are \$32.62.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

monthly for family and \$15 13 for single coverage

Vision coverage is provided through Vision Service Plan, Incorporated. Premiums for this coverage are \$11 30 for family coverage and \$4 86 for individual coverage

NOTE 13 - LONG-TERM OBLIGATIONS

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

	<u>Outstanding 06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/99</u>
General Long-Term Obligations.				
Compensated Absences	\$371,055	\$82,665	\$46,586	\$407,134
Capital Leases Payable	0	54,038	15,164	38,874
Energy Conservation Note - 6%	250,000	0	22,000	228,000
Long-Term Pension Liability	<u>59,742</u>	<u>52,607</u>	<u>59,742</u>	<u>52,607</u>
Total Long-Term Obligations	<u>\$680,797</u>	<u>\$189,310</u>	<u>\$143,492</u>	<u>\$726,615</u>

Compensated absences and long-term pension obligations will be paid from the fund which the employees' salaries are paid

The capital lease payable is for the purchase of a copier and will be paid from General Fund revenues

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

Principal and interest requirements to retire the Energy Conservation Notes outstanding at June 30, 1999, are as follows

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$23,000	\$12,990	\$35,990
2001	24,000	11,580	35,580
2002	26,000	10,080	36,080
2003	27,000	8,490	35,490
2004	29,000	6,810	35,810
2005 - 2007	<u>99,000</u>	<u>9,150</u>	<u>108,150</u>
Total	<u>\$228,000</u>	<u>\$59,100</u>	<u>\$287,100</u>

The School District's overall legal debt margin was \$4,050,644 with an unvoted debt margin of \$45,007 at June 30, 1999

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

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

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

statements

General fixed assets consisting of a copier has been capitalized in the general fixed assets account group in the amount of \$54,038. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$15,164 in the General Fund.

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

<u>Fiscal Year Ending June 30,</u>	
2000	\$15,164
2001	15,164
2002	<u>15,164</u>
Total	45,492
Less Amount Representing Interest	<u>(6,618)</u>
Present Value of Net Minimum Lease Payments	<u>\$38,874</u>

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 1999, the Title VI-B Special Revenue Fund owed the General Fund \$4,377.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	<u>Uniform School Supplies</u>	<u>Food Service</u>	<u>Total</u>
Operating Revenues	\$41,152	\$100,003	\$141,155
Operating Expenses before Depreciation	40,100	330,091	370,191
Depreciation	0	573	573
Operating Income (Loss)	1,052	(230,661)	(229,609)
Donated Commodities	0	41,140	41,140
Operating Grants	0	167,541	167,541
Net Income (Loss)	1,052	(21,980)	(20,928)
Fixed Assets Additions	0	14,794	14,794
Current Capital Contributions	0	13,694	13,694
Net Working Capital	1,965	8,283	10,248
Long-Term Compensated			

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

Absences Payable	0	19,828	19,828
Total Assets	2,368	73,873	76,241
Total Equity	1,965	13,026	14,991
Encumbrances	0	3,359	3,359

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southeast Ohio Voluntary Educational Consortium - SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 33 participants consisting of 24 school districts and 9 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

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

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

NOTE 18 - INSURANCE PURCHASING POOL

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

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly 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 \$3,897,870 of school foundation support for its General Fund.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

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

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

NOTE 20 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside if the School District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve.

The School District also receives resources from the State of Ohio which are restricted by State law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

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

	<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	\$26,084	\$26,084
Current Year Set-aside Requirement	68,404	68,404	34,202	171,010
Current Year Offsets	(13,761)	0	0	(13,761)
Qualifying Disbursements	<u>(163,510)</u>	<u>(90,395)</u>	<u>0</u>	<u>(253,905)</u>

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

	<u>(108,867)</u>	<u>(21,991)</u>	<u>60,286</u>	<u>(\$70,572)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$60,286</u>	<u>\$60,286</u>
Amount Restricted for Bus Allowance				<u>66,828</u>
Total Restricted Assets				<u>\$127,114</u>

Although the School District had qualifying offsets and disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 22 - YEAR 2000

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations.

The School District has completed an inventory of computer systems, food service, and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has four school buildings with power, heating and air conditioning systems which have extensive efficiency utilization measures within the systems.

The financial reporting and payroll and employee benefits systems are handled by an external organization (SEOVEC). SEOVEC is responsible for remediating these systems. As of January 21, 2000, SEOVEC asserts that it has tested, validated, and remediated the Year 2000 issue.

Washington County collects property taxes for distribution to the School District. Washington County was responsible for remediating its tax collection system.

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 was responsible for remediating these systems.

The School District contracts with Honeywell, Inc. for its heating and air-conditioning systems. Honeywell, Inc. has stated that the systems are Year 2000 compliant at all revision levels.

In the continuing effort to assess all computer equipment, other areas may be found and, if so, changes will be made in those systems. We anticipate that all costs will be handled through departmental and/or building appropriations.

To the best of management's knowledge and belief, as of January 21, 2000, the School District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL 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. S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10 550	\$0	\$34,674	\$0	\$41,140
National School Breakfast Program	05-PU-98	10 553	38,615	0	38,615	0
National School Lunch Program	04-PU-98	10 555	115,989	0	115,989	0
Total U S Department of Agriculture - Nutrition Cluster			<u>154,604</u>	<u>34,674</u>	<u>154,604</u>	<u>41,140</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY						
<i>Passed Through Ohio Department of Emergency Management:</i>						
Public Assistance Grants	DR-1227	83 544	44,091	0	90,673	0
Total Federal Emergency Management Agency			<u>44,091</u>	<u>0</u>	<u>90,673</u>	<u>0</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies	C1-S1-98	84 010	21,947	0	68,501	0
	C1-S1-98C	84 010	11,298	0	11,298	0
	C1-S1-99	84 010	207,544	0	215,084	0
Total Title I, Grants to Local Educational Agencies			<u>240,789</u>	<u>0</u>	<u>294,883</u>	<u>0</u>
Special Education - Grants to States	6B-SF-97	84 027	4,816	0	4,816	0
	6B-SF-98	84 027	53,358	0	48,391	0
Total Special Education - Grants to States			<u>58,174</u>	<u>0</u>	<u>53,207</u>	<u>0</u>
Drug-Free School Grants	DR-S1-98	84 186	(1,415)	0	3,129	0
	DR-S1-99	84 186	3,299	0	1,935	0
Total Drug-Free School Grants			<u>1,884</u>	<u>0</u>	<u>5,064</u>	<u>0</u>
Innovative Education Program Strategies	C2-S1-98	84 298	(99)	0	1,290	0
	C2-S1-99	84 298	3,869	0	2,134	0
Total Innovative Education Program Strategies			<u>3,770</u>	<u>0</u>	<u>3,424</u>	<u>0</u>
Total U S Department of Education			<u>304,617</u>	<u>0</u>	<u>356,578</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$503,312</u>	<u>\$34,674</u>	<u>\$601,855</u>	<u>\$41,140</u>

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the 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 School District had no significant food commodities in inventory.

NOTE C - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAMS

Federal monies are commingled with total food service funds. It is assumed federal monies are expended first.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

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

Frontier Local School District
Washington County
Rt. 3, Box 134
New Matamoras, Ohio 45767-9756

To Members of the Board:

We have audited the general purpose financial statements of Frontier Local School District, Washington County, (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated January 21, 2000, which was qualified because of a lack of sufficient evidence supporting the activity of the Student Activity Fund-Agency Fund Type. Except for our procedures related to the Student Activity Fund-Agency Fund Type, 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we have noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated January 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-11084-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 21, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized "X" mark.

Jim Petro
Auditor of State

January 21, 2000



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OFFICE OF THE AUDITOR

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Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

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

Frontier Local School District
Washington County
Rt. 3, Box 134
New Matamoras, Ohio 45767-9756

To the Members of the Board.

Compliance

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

We conducted our audit of compliance in accordance with 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

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

Internal Control over Compliance

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

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 the management of the School District in a separate letter dated January 21, 2000.

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



JIM PETRO
Auditor of State

January 21, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A, IASA; CFDA# 84 010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

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

Finding Number	1999-11084-001
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Student Activity Sales Project Potential Forms

The bottom portion of "Sales Project Potential" forms were not always completed and signed by the responsible faculty advisor. Approval varied from only the building Principal to the building Principal and the Superintendent. These forms were usually not filled out, and when completed, were filled out with totals only or lacked sufficient detail to adequately document the transactions of the sale, collections, and pay-ins to the Treasurer. Additionally, we were unable to verify information contained on the "Sales Project Potential" forms to supporting records maintained by faculty advisors.

Failure to properly approve and complete required forms does not give the Treasurer assurances that appropriate School District personnel have reviewed the forms indicating they are accurate. Not completing the forms in sufficient detail does not give the Treasurer sufficient assurances as to the completeness, validity and accuracy of account information necessary to properly and accurately maintain the account at the Treasurer level. Faculty advisor records not being maintained or not being maintained in sufficient detail does not give the Treasurer assurances that all amounts collected have been paid into his office and are included on the School District's financial records

We recommend that all required forms be provided and reviewed with the advisors annually to ensure they understand their responsibility in maintaining a student activity account. Also, the bottom portion of the "Sales Project Potential" forms should be completed when the fund-raising activity is completed in sufficient detail to document all transactions that occurred during the sale. The faculty advisor should sign the forms to indicate who prepared them and the building Principal, Superintendent, and Treasurer should sign them to indicate their review and approval. The School District should establish student activity policies and procedures and develop forms, to help ensure that all student activities are adequately approved, authorized, documented, and accounted for at all levels of responsibility. Faculty advisors should maintain detailed records to support amounts reflected on the "Sales Project Potential" forms. Periodically, the Treasurer, or the Treasurer's designee, should review Faculty Advisor records to help ensure they are being properly maintained.

Auditor of State Management Advisory Services Bulletin 93-13 provides detailed accounting and control procedures for student activity funds.

3. FINDINGS FOR FEDERAL AWARDS

None.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid, <i>Explain</i>
1998-11084-001	Teacher Barbara V. Preston was overpaid \$795.00, due to incorrect entry of her salary into the School District's computer system.	Yes	Corrective action taken. The School District reduced the teacher's salary by forty-nine dollars and sixty-nine cents (\$49.69) for the pay period beginning November 25, 1998 and ending with the last pay in June of 1999, for a total of sixteen pays.
1998-11084-002	The School District had numerous funds which had expenditures exceeding appropriations at year-end.	Yes	N/A
1998-11084-003	The School District had two funds in which appropriations exceeded estimated resources.	Yes	N/A
1998-11084-004	Records (tally sheets) to support meals and ala carte sales reported on the School District's state lunchroom and breakfast reimbursement forms were not retained by two of the School District's elementary schools.	Yes	N/A

**CORRECTIVE ACTION PLAN
 OMB CIRCULAR A -133 § .315 (c)
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-11084-001	Faculty advisor's will maintain detailed records to support amounts reported to the Treasurer on Sales Project Potential forms. Periodically, the Treasurer, or his designee, will review such records to ensure they are being properly maintained.	6/30/2000	Larry L. Bayless, Treasurer



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743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
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**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: FEB 29 2000