



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Felicity-Franklin Local School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Felicity-Franklin Local School District, Clermont County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 18, 2000

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Felicity-Franklin Local School District
Clermont County

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,940,742	\$139,933	\$297,918	\$410,394
Receivables:				
Taxes	1,004,413	23,364	210,578	0
Accounts	11,242	0	0	0
Intergovernmental	3,510	30,000	0	0
Accrued Interest	14,813	0	0	0
Prepaid Items	8,676	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	144,703	0	0	0
Cash and Cash Equivalents with Escrow Agent	0	0	0	1,678
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$4,128,099</u>	<u>\$193,297</u>	<u>\$508,496</u>	<u>\$412,072</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$152,577	\$30,679	\$0	\$0	\$3,972,243
0	0	0	0	1,238,355
0	0	0	0	11,242
0	0	0	0	33,510
0	0	0	0	14,813
0	0	0	0	8,676
17,429	0	0	0	17,429
1,960	0	0	0	1,960
0	0	0	0	144,703
0	0	0	0	1,678
177,661	0	14,796,072	0	14,973,733
0	0	0	327,318	327,318
0	0	0	1,687,630	1,687,630
<u>\$349,627</u>	<u>\$30,679</u>	<u>\$14,796,072</u>	<u>\$2,014,948</u>	<u>\$22,433,290</u>

(continued)

Felicity-Franklin Local School District
Clermont County

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities,				
Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$11,082	\$1,323	\$0	\$0
Accrued Wages and Benefits	510,060	60,240	0	0
Compensated Absences Payable	32,151	0	0	0
Retainage Payable	0	0	0	1,678
Intergovernmental Payable	95,433	24,360	0	0
Deferred Revenue	873,913	20,064	181,178	0
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	<u>1,522,639</u>	<u>105,987</u>	<u>181,178</u>	<u>1,678</u>
Total Liabilities				
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	107,312	29,046	0	6,511
Reserved for Property Taxes	130,500	3,300	29,400	0
Reserved for Budget Stabilization	79,049	0	0	0
Reserved for Textbooks	29,184	0	0	0
Reserved for Bus Acquisition	36,470	0	0	0
Unreserved:				
Designated for Capital Improvements	74,432	0	0	0
Undesignated	2,148,513	54,964	297,918	403,883
	<u>2,605,460</u>	<u>87,310</u>	<u>327,318</u>	<u>410,394</u>
Total Fund Equity and Other Credits				
	<u>2,605,460</u>	<u>87,310</u>	<u>327,318</u>	<u>410,394</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,128,099</u>	<u>\$193,297</u>	<u>\$508,496</u>	<u>\$412,072</u>

See accompanying notes to the financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$0	\$0	\$0	\$12,405
19,828	0	0	0	590,128
4,816	0	0	275,547	312,514
0	0	0	0	1,678
9,297	0	0	51,849	180,939
14,075	0	0	0	1,089,230
0	30,679	0	0	30,679
0	0	0	22,552	22,552
0	0	0	1,665,000	1,665,000
<u>48,016</u>	<u>30,679</u>	<u>0</u>	<u>2,014,948</u>	<u>3,905,125</u>
0	0	14,796,072	0	14,796,072
301,611	0	0	0	301,611
0	0	0	0	142,869
0	0	0	0	163,200
0	0	0	0	79,049
0	0	0	0	29,184
0	0	0	0	36,470
0	0	0	0	74,432
0	0	0	0	2,905,278
<u>301,611</u>	<u>0</u>	<u>14,796,072</u>	<u>0</u>	<u>18,528,165</u>
<u>\$349,627</u>	<u>\$30,679</u>	<u>\$14,796,072</u>	<u>\$2,014,948</u>	<u>\$22,433,290</u>

Felicity-Franklin Local School District
Clermont County
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$990,661	\$23,095	\$207,481	\$0	\$1,221,237
Intergovernmental	5,858,553	804,006	22,242	196,645	6,881,446
Interest	226,807	0	0	0	226,807
Tuition and Fees	22,170	0	0	0	22,170
Extracurricular Activities	0	40,063	0	0	40,063
Customer Services	24,717	0	0	0	24,717
Miscellaneous	24,932	42,321	0	0	67,253
Total Revenues	7,147,840	909,485	229,723	196,645	8,483,693
Expenditures:					
Current:					
Instruction:					
Regular	2,880,339	384,236	0	112,962	3,377,537
Special	663,393	290,030	0	0	953,423
Vocational	172,317	0	0	0	172,317
Adult/Continuing	0	4,610	0	0	4,610
Support Services:					
Pupils	272,545	24,329	0	0	296,874
Instructional Staff	211,139	115,864	0	0	327,003
Board of Education	7,180	0	0	0	7,180
Administration	525,924	2,052	0	0	527,976
Fiscal	203,527	0	0	0	203,527
Operation and Maintenance of Plant	772,222	35,651	0	0	807,873
Pupil Transportation	575,638	0	0	0	575,638
Central	28,722	5,000	0	0	33,722
Extracurricular Activities	82,449	57,005	0	0	139,454
Capital Outlay	14,275	0	0	411,617	425,892
Debt Service:					
Principal Retirement	6,324	0	45,000	0	51,324
Interest and Fiscal Charges	1,578	0	115,597	0	117,175
Total Expenditures	6,417,572	918,777	160,597	524,579	8,021,525
Excess of Revenues Over (Under) Expenditures	730,268	(9,292)	69,126	(327,934)	462,168
Other Financing Sources (Uses):					
Operating Transfers In	0	0	0	133,371	133,371
Operating Transfers Out	(133,371)	0	0	0	(133,371)
Total Other Financing Sources (Uses)	(133,371)	0	0	133,371	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	596,897	(9,292)	69,126	(194,563)	462,168
Fund Balances at Beginning of Year	2,008,563	96,602	258,192	604,957	2,968,314
Fund Balances at End of Year	\$2,605,460	\$87,310	\$327,318	\$410,394	\$3,430,482

See accompanying notes to the financial statements

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Felicity-Franklin Local School District
Clermont County

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, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$941,648	\$973,123	\$31,475	\$21,854	\$22,411	\$557
Intergovernmental	5,859,381	5,859,381	0	774,006	774,006	0
Interest	227,295	225,522	(1,773)	0	0	0
Tuition and Fees	21,150	21,150	0	0	0	0
Extracurricular Activities	0	0	0	40,063	40,063	0
Customer Services	24,717	24,717	0	0	0	0
Miscellaneous	18,243	18,243	0	42,321	42,321	0
Total Revenues	7,092,434	7,122,136	29,702	878,244	878,801	557
Expenditures:						
Current:						
Instruction:						
Regular	3,881,537	2,887,389	994,148	444,391	389,928	54,463
Special	1,328,631	670,566	658,065	301,552	275,509	26,043
Vocational	228,962	156,334	72,628	0	0	0
Adult/Continuing	0	0	0	4,610	4,610	0
Support Services:						
Pupils	332,667	279,365	53,302	35,195	27,124	8,071
Instructional Staff	331,362	219,137	112,225	120,210	112,107	8,103
Board of Education	15,200	8,113	7,087	0	0	0
Administration	632,663	521,162	111,501	2,052	2,052	0
Fiscal	290,665	238,055	52,610	0	0	0
Operation and Maintenance of Plant	1,139,962	799,973	339,989	37,733	36,676	1,057
Pupil Transportation	842,453	590,223	252,230	0	0	0
Central	51,212	24,331	26,881	5,000	5,000	0
Extracurricular Activities	146,433	81,935	64,498	78,963	67,560	11,403
Capital Outlay	23,686	23,686	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,245,433	6,500,269	2,745,164	1,029,706	920,566	109,140
Excess of Revenues Over (Under) Expenditures	(2,152,999)	621,867	2,774,866	(151,462)	(41,765)	109,697
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(212,382)	(133,371)	79,011	(59)	0	59
Other Financing Uses	(123,019)	0	123,019	0	0	0
Total Other Financing Sources (Uses)	(335,401)	(133,371)	202,030	(59)	0	59
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,488,400)	488,496	2,976,896	(151,521)	(41,765)	109,756
Fund Balances at Beginning of Year	2,242,958	2,242,958	0	140,499	140,499	0
Prior Year Encumbrances Appropriated	245,442	245,442	0	11,022	11,022	0
Fund Balances at End of Year	\$0	\$2,976,896	\$2,976,896	\$0	\$109,756	\$109,756

See accompanying notes to the financial statements

Debt Service Fund			Capital Projects Funds			Totals Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$196,688	\$201,703	\$5,015	\$0	\$0	\$0	1,160,190	1,197,237	37,047
22,242	22,242	0	196,645	196,645	0	6,852,274	6,852,274	0
0	0	0	0	0	0	227,295	225,522	(1,773)
0	0	0	0	0	0	21,150	21,150	0
0	0	0	0	0	0	40,063	40,063	0
0	0	0	0	0	0	24,717	24,717	0
0	0	0	0	0	0	60,564	60,564	0
218,930	223,945	5,015	196,645	196,645	0	8,386,253	8,421,527	35,274
0	0	0	126,506	122,623	3,883	4,452,434	3,399,940	1,052,494
0	0	0	0	0	0	1,630,183	946,075	684,108
0	0	0	0	0	0	228,962	156,334	72,628
0	0	0	0	0	0	4,610	4,610	0
0	0	0	0	0	0	367,862	306,489	61,373
0	0	0	0	0	0	451,572	331,244	120,328
0	0	0	0	0	0	15,200	8,113	7,087
0	0	0	0	0	0	634,715	523,214	111,501
0	0	0	0	0	0	290,665	238,055	52,610
0	0	0	400,000	0	400,000	1,577,695	836,649	741,046
0	0	0	0	0	0	842,453	590,223	252,230
0	0	0	0	0	0	56,212	29,331	26,881
0	0	0	0	0	0	225,396	149,495	75,901
0	0	0	524,167	524,167	0	547,853	547,853	0
337,903	45,000	292,903	0	0	0	337,903	45,000	292,903
115,597	115,597	0	0	0	0	115,597	115,597	0
453,500	160,597	292,903	1,050,673	646,790	403,883	11,779,312	8,228,222	3,551,090
(234,570)	63,348	297,918	(854,028)	(450,145)	403,883	(3,393,059)	193,305	3,586,364
0	0	0	133,371	133,371	0	133,371	133,371	0
0	0	0	0	0	0	(212,441)	(133,371)	79,070
0	0	0	0	0	0	(123,019)	0	123,019
0	0	0	133,371	133,371	0	(202,089)	0	202,089
(234,570)	63,348	297,918	(720,657)	(316,774)	403,883	(3,595,148)	193,305	3,788,453
234,570	234,570	0	526,886	526,886	0	3,144,913	3,144,913	0
0	0	0	193,771	193,771	0	450,235	450,235	0
\$0	\$297,918	\$297,918	\$0	\$403,883	\$403,883	\$0	\$3,788,453	\$3,788,453

Felicity-Franklin Local School District
Clermont County

Statement of Revenues, Expenses
and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>
<i>Operating Revenues:</i>	
Sales	\$170,371
Other Revenues	<u>2,297</u>
Total Operating Revenues	<u>172,668</u>
<i>Operating Expenses:</i>	
Salaries	127,680
Fringe Benefits	65,226
Purchased Services	16,620
Materials and Supplies	7,054
Cost of Sales	151,676
Depreciation	<u>13,334</u>
Total Operating Expenses	<u>381,590</u>
Operating Loss	<u>(208,922)</u>
<i>Non-Operating Revenues:</i>	
Federal Donated Commodities	30,008
Interest	7,712
Federal and State Subsidies	<u>158,034</u>
Total Non-Operating Revenues	<u>195,754</u>
Net Loss	(13,168)
Retained Earnings at Beginning of Year	<u>314,779</u>
Retained Earnings at End of Year	<u><u>\$301,611</u></u>

See accompanying notes to the financial statements

Felicity-Franklin Local School District
Clermont County

Statement of Revenues, Expenses and Changes
in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$170,371	\$170,371	\$0
Federal and State Subsidies	158,034	158,034	0
Interest	7,513	7,712	199
Other Revenues	2,297	2,297	0
Total Revenues	338,215	338,414	199
Expenses:			
Salaries	179,315	143,215	36,100
Fringe Benefits	76,086	55,532	20,554
Purchased Services	33,340	16,620	16,720
Materials and Supplies	190,000	127,931	62,069
Capital Outlay	16,935	0	16,935
Total Expenses	495,676	343,298	152,378
Excess of Revenues Over (Under) Expenses	(157,461)	(4,884)	152,577
Fund Equity at Beginning of Year	157,021	157,021	0
Prior Year Encumbrances Appropriated	440	440	0
Fund Equity at End of Year	\$0	\$152,577	\$152,577

See accompanying notes to the financial statements

Felicity-Franklin Local School District
Clermont County

Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$170,371
Cash Received from Other Operating Sources	2,297
Cash Payments to Suppliers for Goods and Services	(144,551)
Cash Payments to Employees for Services	(143,215)
Cash Payments for Employee Benefits	<u>(55,532)</u>
Net Cash Used for Operating Activities	(170,630)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	158,034
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>7,712</u>
Net Decrease in Cash and Cash Equivalents	(4,884)
Cash and Cash Equivalents at Beginning of Year	<u>157,461</u>
Cash and Cash Equivalents at End of Year	<u><u>\$152,577</u></u>
<u>Reconciliation of Operating Loss to Net</u>	
<u>Cash Used for Operating Activities:</u>	
Operating Loss	<u>(\$208,922)</u>
<u>Adjustments to Reconcile Operating Loss to</u>	
<u>Net Cash Used for Operating Activities:</u>	
Donated Commodities Used During Year	30,008
Depreciation	13,334
<u>Changes in Assets and Liabilities:</u>	
Decrease in Inventory Held for Resale	1,326
Increase in Materials and Supplies Inventory	(535)
Decrease in Accrued Wages and Benefits	(901)
Increase in Compensated Absences Payable	145
Decrease in Intergovernmental Payable	<u>(5,085)</u>
Total Adjustments	<u>38,292</u>
Net Cash Used for Operating Activities	<u><u>(\$170,630)</u></u>

See accompanying notes to the financial statements

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1930 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 84 square miles. It is located in Clermont County, and includes the Villages of Felicity and Chilo, all of Franklin Township and a portion of Washington Township. It is staffed by 47 non-certificated employees, 79 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,272 students and other community members. The School District currently operates 3 connected instructional buildings and 2 garages.

Reporting Entity:

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

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

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

- Felicity-Franklin Parent Teacher Organization
- Felicity Music Boosters Association

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

The School District is associated with five organizations, three of which are defined as jointly governed organizations, and two as insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the U.S. Grant Joint Vocational School, the Clermont County Health Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations and the School District's participation is discussed in Notes 14 and 15 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Type:

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

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund Type:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During fiscal year 2000, the School District's investments were limited to U.S. Government Securities, STAR Ohio, and a U.S. Treasury Money Market Fund. Investments are reported at fair value which is based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$226,807, which includes \$59,245, assigned from other School District funds. The enterprise fund also received interest revenue of \$7,712.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Education Management Information Systems
Title I
Title VI
Title VI-B
Title VI-R
Drug-Free Schools
Ohio Reads
Professional Development Block Grant
School Net Professional Development
School Building Incentive
Safe Schools Helpline
Textbook Subsidy

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Funds

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

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 81.1 percent of governmental fund revenue during the 2000 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

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

K. Interfund Transactions

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

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

L. 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 for the purchase of textbooks, and to create a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

During the fiscal year the School District held retainage monies for final work on the construction of a new elementary building. The retainage monies held at June 30, 2000 is presented as Restricted Cash and Cash Equivalents with Escrow Agent.

M. Fund Balance Reserves and Designations

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund equity designation, which represents tentative plans of the School District that is subject to change, has been established for future capital improvements.

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

N. Estimates

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

O. Total Columns on General-Purpose Financial Statements

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

NOTE 3 - 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 Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$596,897	(\$9,292)	\$69,126	(\$194,563)
Revenue Accruals	(25,704)	(30,684)	(5,778)	0
Expenditure Accruals	28,483	28,388	0	(115,700)
Encumbrances	(111,180)	(30,177)	0	(6,511)
Budget Basis	\$488,496	(\$41,765)	\$63,348	(\$316,774)

Net Loss/Excess of Revenues Under Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$13,168)
Revenue Accruals	(30,007)
Expense Accruals	24,957
Depreciation Expense	13,334
Budget Basis	(\$4,884)

NOTE 4 - 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.

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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 eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$38,794 and the bank balance was \$257,833. Of the bank balance, \$100,000 was covered by federal depository insurance and \$157,833 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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 School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, and the Fifth-Third U.S. Treasury Money Market Fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair/Carrying Value
Federal Home Loan Bank	\$373,315	\$373,315
Federal Farm Credit Bank	74,805	74,805
Federal Home Loan Mortgage Association	173,205	173,205
Federal National Mortgage Association	595,253	595,253
United States Treasury Notes	148,781	148,781
STAR Ohio	0	2,714,471
U.S. Treasury Money Market Fund	0	18,969
Totals	\$1,365,359	\$4,098,799

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,118,624	\$0
Investments:		
Federal Home Loan Bank	(373,315)	373,315
Federal Farm Credit Bank	(74,805)	74,805
Federal Home Loan Mortgage Association	(173,205)	173,205
Federal National Mortgage Association	(595,253)	595,253
United States Treasury Notes	(148,781)	148,781
STAR Ohio	(2,714,471)	2,714,471
U. S. Treasury Money Market Fund	(0)	18,969
GASB Statement No. 3	\$38,794	\$4,098,799

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 5 - 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 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, 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. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 5 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2000 taxes were collected are:

	<u>1999 Second- Half Collections</u>		<u>2000 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$34,896,480	83.53%	\$42,555,850	86.54%
Public Utility	6,148,580	14.72%	5,916,750	12.03%
Tangible Personal Property	729,285	1.75%	701,204	1.43%
Total Assessed Value	<u>\$41,774,345</u>	<u>100.00%</u>	<u>\$49,173,804</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.30		\$33.30	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$130,500 in the general fund, \$3,300 in the classroom facilities maintenance special revenue fund and \$29,400 in the debt service fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, interest, accounts (tuition and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 5 - PROPERTY TAXES (continued)

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Drivers Education	\$2,600
Tobacco Loss Assistance	384
Refund of Tuition	<u>526</u>
Total General Fund	<u>3,510</u>
Special Revenue Fund:	
Title I	<u>30,000</u>
Total Intergovernmental Receivables	<u><u>\$33,510</u></u>

NOTE 7 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$440,437	\$7,913	\$0	\$448,350
Buildings and Improvements	10,368,813	344,890	0	10,713,703
Furniture, Fixtures and Equipment	1,946,644	86,479	4,358	2,028,765
Vehicles	1,026,927	150,809	168,784	1,008,952
Textbooks	<u>596,302</u>	<u>0</u>	<u>0</u>	<u>596,302</u>
Total General Fixed Assets	<u><u>\$14,379,123</u></u>	<u><u>\$590,091</u></u>	<u><u>\$173,142</u></u>	<u><u>\$14,796,072</u></u>

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$283,905
Less Accumulated Depreciation	<u>(106,244)</u>
Net Fixed Assets	<u><u>\$177,661</u></u>

NOTE 8 - RISK MANAGEMENT

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 2000, the School District contracted with Indiana Insurance for property and fleet insurance, and inland marine coverage, and with Nationwide Insurance for liability insurance. Coverages provided are as follows:

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 8 - RISK MANAGEMENT (continued)

Building and Contents-replacement cost (\$1,000 deductible)	\$21,617,593
Inland Marine Coverage (\$1,000 deductible)	incl. above
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	incl. above
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
Umbrella Policy	2,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2000, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 15), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trust provides insurance policies in whole or in part through one or more group insurance policies.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$46,599, \$70,477 and \$79,004, respectively; 40.47 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$27,739 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, 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. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$206,727, \$165,469, and \$326,406, respectively; 83.65 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$33,802 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$275,637 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$83,016.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum for all personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit for the first 120 days and 10 percent for days in excess of 120.

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$38,185. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$6,324 in the governmental funds.

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

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, 2000.

Fiscal Year Ending June 30,	GLTOAG
2001	\$12,520
2002	7,509
2003	5,108
Total	25,137
Less: Amount Representing Interest	(2,585)
Present Value of Net Minimum Lease Payments	\$22,552

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 6/30/1999	Additions	Deductions	Principal Outstanding 6/30/2000
General Obligation Debt:				
1982 School Improvement Bond - 13.000%	\$40,000	\$0	\$10,000	\$30,000
1986 School Improvement Bond - 8.375%	340,000	0	30,000	310,000
1997 School Improvement Bond - 6.085%	1,330,000	0	5,000	1,325,000
Total General Obligation Bonded Debt	1,710,000	0	45,000	1,665,000
Compensated Absences	278,212	36,991	39,656	275,547
Intergovernmental Payable	46,117	51,849	46,117	51,849
Capital Leases	28,876	0	6,324	22,552
Total General Long-Term Obligations	\$2,063,205	\$88,840	\$137,097	\$2,014,948

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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

Felicity - Franklin Junior High School Addition General Obligation Bonds - On July 1, 1997, Felicity - Franklin Local School District issued voted general obligation bonds for the purpose of an addition and improvements to the junior high school building. The bonds were issued for a twenty year period with final maturity at December 1, 2018. The bonds will be retired from the debt service fund.

School Facilities Loan - On May 16, 1995, the School District entered into a school facilities loan program for the purpose of constructing a new elementary school. Under the contract, the School District was to receive \$7,240,928 as provided by the State to be repaid from the proceeds of a half mill levy. During the term of the loan, any time the taxes levied necessary to provide the debt service on the School District's net indebtedness, including the bond issue plus the half mill payment to the State, would decline below four mills per year, then the margin thus created between the reduced millage and four mills must be levied and repaid to the State. At the end of the twenty-three year period any remaining unpaid balance on the State loan is forgiven and written off by the State.

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

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

The School District's overall legal debt margin was \$3,087,960 with an unvoted debt margin of \$49,174 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$45,000	\$107,546	\$152,546
2002	45,000	103,492	148,492
2003	45,000	99,431	144,431
2004	45,000	95,761	140,761
2005	45,000	92,476	137,476
2006-2010	325,000	402,255	727,255
2011-2015	510,000	272,285	782,285
2016-2019	605,000	80,468	685,468
Total	\$1,665,000	\$1,253,714	\$2,918,714

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Hamilton Clermont Cooperative Association/Unified Purchasing Association - The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two-county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for Hamilton Clermont Cooperative Association/Unified Purchasing Association can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

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

U.S. Grant Joint Vocational School - The U.S. Grant Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the four participating school districts' elected boards with an additional representative rotated among the four schools. The Vocational School possesses its own budgeting

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)

and taxing authority. To obtain financial information write to the U.S. Grant Joint Vocational School, Patti Patton, who serves as Treasurer, at 3046 State Route 125, Bethel, Ohio 45106.

NOTE 15 - INSURANCE PURCHASING POOLS

The Clermont County Health Trust - The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and are elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, McElroy Minister, which in turn buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit if its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Health Trust at P.O. Box 526 Middletown, Ohio 45042.

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

NOTE 16 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$5,536,259 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$7,240,928 under this program.

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 16 - STATE SCHOOL FUNDING DECISION (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$46,450	\$10,347	\$79,049
Current Year Set-aside Requirement	129,764	129,764	0
Additional Money Set Aside	0	74,432	0
Current Year Offsets	0	(122,411)	0
Qualifying Disbursements	(147,030)	(17,700)	0
Set-aside Balance Carried Forward to FY 2001	<u>\$29,184</u>	<u>\$74,437</u>	<u>\$79,049</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$29,184</u>	<u>\$0</u>	<u>\$79,049</u>

The amounts of qualifying disbursements for capital improvements presented in the table above were limited to those necessary to reduce the set-aside balance to zero because the excess for capital improvements cannot be carried forward to future fiscal years as an additional offset.

The School District was not required to set aside monies for Budget Stabilization because the Average Daily Membership increased more than three percent above the base year.

The School District set-aside additional money in excess of statutory requirements for capital improvements. This amount is presented on the balance sheet as a designation of fund balance rather than as a reserve, and are therefore, not included in restricted assets. The total reserve balances for textbooks and budget stabilization set-asides at the end of the fiscal year were \$29,184 and \$79,049 respectively.

NOTE 18 - ACCOUNTABILITY

At June 30, 2000, the Disadvantaged Pupil Impact Aid, Title VI-B and Title VI-R Class-size Reduction Special Revenue Funds have deficit fund balances of \$14,686, \$4,686, and \$509, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Felicity - Franklin Local School District
Clermont County

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The School District is currently party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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		\$30,008		\$28,183
School Breakfast Program	05-PU-99	10.553	\$2,295		\$2,295	
	05-PU-00	10.553	16,680		16,680	
			<u>18,975</u>		<u>18,975</u>	
National School Lunch Program	03-PU-99	10.555	4,762		4,762	
	03-PU-00	10.555	25,472		25,472	
	04-PU-99	10.555	16,129		16,129	
	04-PU-00	10.555	82,112		82,112	
			<u>128,475</u>		<u>128,475</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>147,450</u>	<u>30,008</u>	<u>147,450</u>	<u>28,183</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99	84.027	83,764		77,470	
			<u>83,764</u>		<u>77,470</u>	
Total Special Education Cluster			<u>83,764</u>		<u>77,470</u>	
Grants to Local Educational Agencies (ESEA Title I)	CS-S1-00	84.010	271,900		242,610	
			<u>271,900</u>		<u>242,610</u>	
Drug-Free Schools Grant	DR-S1-00	84.186	5,540		5,540	
			<u>5,540</u>		<u>5,540</u>	
Eisenhower Professional Development Grant	MS-S1-00	84.281	7,144		7,144	
			<u>7,144</u>		<u>7,144</u>	
Innovative Educational Program Strategies	C2-S1-99	84.298	835		835	
	C2-S1-00	84.298	6,344		6,344	
			<u>7,179</u>		<u>7,179</u>	
Class Size Reduction Subsidy	CR-S1-00	84.340	37,750		32,298	
			<u>37,750</u>		<u>32,298</u>	
Total Department of Education			<u>413,277</u>		<u>372,241</u>	
TOTAL FEDERAL ASSISTANCE			<u>\$560,727</u>	<u>\$30,008</u>	<u>\$519,691</u>	<u>\$28,183</u>

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

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary 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. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of the Felicity-Franklin Local School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated December 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 18, 2000.

Felicity-Franklin Local School District
Clermont County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

December 18, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Felicity-Franklin Local School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2000. The 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2000.

Internal Control Over Compliance

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

Felicity-Franklin Local School District
Clermont County
Report on Compliance with Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133
Page 2

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

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

Jim Petro
Auditor of State

December 18, 2000

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**