



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



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

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**STATE OF OHIO**



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Fort Recovery Local School District  
Mercer County  
P. O. Box 612  
207 South Gwendolyn Street  
Fort Recovery, Ohio 45846

To the Board of Education:

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

We conducted our audit in accordance with 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 Fort Recovery Local School District, Mercer County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

December 27, 2000

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**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,455,492	\$312,282	\$233,215	\$3,450,483
Cash and Cash Equivalents with Escrow Agent	0	0	0	217,792
Receivables:				
Property Taxes	1,296,193	31,772	375,983	112,079
Income Taxes	171,787	0	0	0
Accounts	729	1,095	0	0
Intergovernmental	2,763	0	0	90
Accrued Interest	21,129	0	0	0
Interfund	15,696	0	0	0
Prepaid Items	10,845	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	7,762	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	79,564	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$3,061,960</u>	<u>\$345,149</u>	<u>\$609,198</u>	<u>\$3,780,444</u>



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$158,354	\$43,838	\$0	\$0	\$5,653,664
0	0	0	0	217,792
0	0	0	0	1,816,027
0	0	0	0	171,787
52	0	0	0	1,876
0	0	0	0	2,853
0	0	0	0	21,129
0	0	0	0	15,696
0	0	0	0	10,845
4,926	0	0	0	4,926
420	0	0	0	8,182
0	0	0	0	79,564
178,375	0	18,695,439	0	18,873,814
0	0	0	235,941	235,941
0	0	0	3,643,825	3,643,825
<u>\$342,127</u>	<u>\$43,838</u>	<u>\$18,695,439</u>	<u>\$3,879,766</u>	<u>\$30,757,921</u>

(continued)

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$90,852	\$7,975	\$0	\$136
Contracts Payable	0	4,425	0	1,230,061
Accrued Wages and Benefits	514,427	24,424	0	0
Compensated Absences Payable	6,549	0	0	0
Intergovernmental Payable	77,550	2,329	0	0
Interfund Payable	0	15,696	0	0
Retainage Payable	0	0	0	220,235
Deferred Revenue	1,285,587	31,485	373,257	110,744
Undistributed Assets	0	0	0	0
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,974,965	86,334	373,257	1,561,176
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Property Taxes	11,190	287	2,726	1,335
Reserved for Inventory	7,762	0	0	0
Reserved for Budget Stabilization	76,677	0	0	0
Reserved for Bus Purchase	2,887	0	0	0
Reserved for Encumbrances	0	48,317	0	1,101,366
Designated for Textbooks	7,156	0	0	0
Designated for Capital Improvements	21,844	0	0	0
Designated for Budget Stabilization	21,649	0	0	0
Unreserved, Undesignated	937,830	210,211	233,215	1,116,567
Total Fund Equity and Other Credits	1,086,995	258,815	235,941	2,219,268
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$3,061,960</b>	<b>\$345,149</b>	<b>\$609,198</b>	<b>\$3,780,444</b>

See Accompanying Notes to the General Purpose Financial Statements

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$3,481	\$0	\$0	\$0	\$102,444
0	0	0	0	1,234,486
16,678	0	0	0	555,529
11,030	0	0	350,203	367,782
13,154	0	0	38,385	131,418
0	0	0	0	15,696
0	0	0	0	220,235
3,110	0	0	0	1,804,183
0	3,979	0	0	3,979
0	39,859	0	0	39,859
0	0	0	80,000	80,000
0	0	0	19,624	19,624
0	0	0	96,814	96,814
0	0	0	3,294,740	3,294,740
<u>47,453</u>	<u>43,838</u>	<u>0</u>	<u>3,879,766</u>	<u>7,966,789</u>
0	0	18,695,439	0	18,695,439
167,486	0	0	0	167,486
127,188	0	0	0	127,188
0	0	0	0	15,538
0	0	0	0	7,762
0	0	0	0	76,677
0	0	0	0	2,887
0	0	0	0	1,149,683
0	0	0	0	7,156
0	0	0	0	21,844
0	0	0	0	21,649
0	0	0	0	2,497,823
<u>294,674</u>	<u>0</u>	<u>18,695,439</u>	<u>0</u>	<u>22,791,132</u>
<u>\$342,127</u>	<u>\$43,838</u>	<u>\$18,695,439</u>	<u>\$3,879,766</u>	<u>\$30,757,921</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
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	
<b>Revenues:</b>					
Property Taxes	\$1,121,719	\$28,121	\$401,569	\$64,628	\$1,616,037
Income Taxes	757,513	0	0	0	757,513
Intergovernmental	3,349,426	552,505	32,590	8,409,463	12,343,984
Interest	146,072	0	0	353,821	499,893
Tuition and Fees	53,466	0	0	0	53,466
Extracurricular Activities	0	187,037	0	0	187,037
Gifts and Donations	76,144	8,154	0	0	84,298
Miscellaneous	32,416	27,116	0	0	59,532
<b>Total Revenues</b>	<b>5,536,756</b>	<b>802,933</b>	<b>434,159</b>	<b>8,827,912</b>	<b>15,601,760</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,427,024	251,637	0	2,895	2,681,556
Special	295,458	152,541	0	0	447,999
Vocational	135,741	0	0	0	135,741
Other	38,712	0	0	0	38,712
Support Services:					
Pupils	214,829	99,259	0	0	314,088
Instructional Staff	271,270	156,546	0	0	427,816
Board of Education	11,545	0	0	4,923	16,468
Administration	457,113	18,624	0	0	475,737
Fiscal	166,555	675	6,374	11,929	185,533
Business	6,567	0	0	0	6,567
Operation and Maintenance of Plant	508,712	3,210	0	1,035	512,957
Pupil Transportation	298,396	934	0	0	299,330
Central	56,836	0	0	0	56,836
Extracurricular Activities	129,216	86,227	0	0	215,443
Capital Outlay	0	72,582	0	10,906,726	10,979,308
Debt Service:					
Principal Retirement	0	0	226,646	0	226,646
Interest and Fiscal Charges	0	0	147,523	0	147,523
<b>Total Expenditures</b>	<b>5,017,974</b>	<b>842,235</b>	<b>380,543</b>	<b>10,927,508</b>	<b>17,168,260</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>518,782</b>	<b>(39,302)</b>	<b>53,616</b>	<b>(2,099,596)</b>	<b>(1,566,500)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	3,100	0	0	0	3,100
Operating Transfers In	0	435	0	7,235	7,670
Operating Transfers Out	(7,670)	0	0	0	(7,670)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,570)</b>	<b>435</b>	<b>0</b>	<b>7,235</b>	<b>3,100</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>514,212</b>	<b>(38,867)</b>	<b>53,616</b>	<b>(2,092,361)</b>	<b>(1,563,400)</b>
Fund Balances at Beginning of Year	565,021	297,682	182,325	4,311,629	5,356,657
Increase in Reserve for Inventory	7,762	0	0	0	7,762
<b>Fund Balances at End of Year</b>	<b>\$1,086,995</b>	<b>\$258,815</b>	<b>\$235,941</b>	<b>\$2,219,268</b>	<b>\$3,801,019</b>

See Accompanying Notes to the General Purpose Financial Statements

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**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
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)
<b>Revenues:</b>						
Property Taxes	\$1,135,718	\$1,122,521	(\$13,197)	\$27,560	\$27,834	\$274
Income Taxes	587,684	585,726	(1,958)	0	0	0
Intergovernmental	3,300,918	3,348,450	47,532	538,228	490,305	(47,923)
Interest	87,814	125,455	37,641	0	0	0
Tuition and Fees	32,017	53,426	21,409	0	0	0
Extracurricular Activities	0	0	0	172,145	186,686	14,541
Gifts and Donations	2,000	76,144	74,144	8,000	8,154	154
Miscellaneous	12,941	30,230	17,289	28,569	26,835	(1,734)
<b>Total Revenues</b>	<b>5,159,092</b>	<b>5,341,952</b>	<b>182,860</b>	<b>774,502</b>	<b>739,814</b>	<b>(34,688)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,605,740	2,423,352	182,388	338,796	272,696	66,100
Special	321,020	286,484	34,536	91,699	85,613	6,086
Vocational	145,534	137,084	8,450	0	0	0
Other	86,852	38,990	47,862	0	0	0
Support Services:						
Pupils	221,487	213,514	7,973	139,267	99,579	39,688
Instructional Staff	291,770	272,699	19,071	229,754	163,312	66,442
Board of Education	16,362	15,166	1,196	0	0	0
Administration	504,772	470,137	34,635	20,947	18,011	2,936
Fiscal	175,475	164,529	10,946	803	675	128
Business	10,700	6,567	4,133	0	0	0
Operation and Maintenance of Plant	615,436	573,851	41,585	4,772	3,210	1,562
Pupil Transportation	317,890	304,524	13,366	1,970	934	1,036
Central	70,044	68,590	1,454	0	0	0
Extracurricular Activities	138,925	129,732	9,193	129,414	103,827	25,587
Capital Outlay	183,000	0	183,000	71,770	71,582	188
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>5,705,007</b>	<b>5,105,219</b>	<b>599,788</b>	<b>1,029,192</b>	<b>819,439</b>	<b>209,753</b>
Excess of Revenues Over (Under) Expenditures	(545,915)	236,733	782,648	(254,690)	(79,625)	175,065
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	0	3,100	3,100	0	0	0
Refund of Prior Year Expenditures	0	2,598	2,598	0	0	0
Other Financing Sources	270	203	(67)	0	0	0
Other Financing Uses	(613,874)	0	613,874	0	0	0
Advances In	0	123,383	123,383	0	100,343	100,343
Advances Out	0	(123,543)	(123,543)	0	(84,647)	(84,647)
Operating Transfers In	0	0	0	0	435	435
Operating Transfers Out	0	(7,670)	(7,670)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(613,604)</b>	<b>(1,929)</b>	<b>611,675</b>	<b>0</b>	<b>16,131</b>	<b>16,131</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,159,519)	234,804	1,394,323	(254,690)	(63,494)	191,196
Fund Balances (Deficit) at Beginning of Year	1,090,467	1,090,467	0	230,013	230,013	0
Prior Year Encumbrances Appropriated	39,683	39,683	0	86,496	86,496	0
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$29,369)</b>	<b>\$1,364,954</b>	<b>\$1,394,323</b>	<b>\$61,819</b>	<b>\$253,015</b>	<b>\$191,196</b>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$396,837	\$398,843	\$2,006	\$66,160	\$63,293	(\$2,867)	\$1,626,275	\$1,612,491	(\$13,784)
0	0	0	0	0	0	587,684	585,726	(1,958)
26,177	32,590	6,413	8,836,055	8,408,735	(427,320)	12,701,378	12,280,080	(421,298)
0	0	0	316,500	316,708	208	404,314	442,163	37,849
0	0	0	0	0	0	32,017	53,426	21,409
0	0	0	0	0	0	172,145	186,686	14,541
0	0	0	0	0	0	10,000	84,298	74,298
0	0	0	0	0	0	41,510	57,065	15,555
423,014	431,433	8,419	9,218,715	8,788,736	(429,979)	15,575,323	15,301,935	(273,388)
0	0	0	233,785	175,550	58,235	3,178,321	2,871,598	306,723
0	0	0	6,000	0	6,000	418,719	372,097	46,622
0	0	0	0	0	0	145,534	137,084	8,450
0	0	0	0	0	0	86,852	38,990	47,862
0	0	0	3,000	0	3,000	363,754	313,093	50,661
0	0	0	0	0	0	521,524	436,011	85,513
0	0	0	5,786	4,923	863	22,148	20,089	2,059
0	0	0	0	0	0	525,719	488,148	37,571
8,668	6,374	2,294	12,953	11,929	1,024	197,899	183,507	14,392
0	0	0	0	0	0	10,700	6,567	4,133
0	0	0	107,027	69,841	37,186	727,235	646,902	80,333
0	0	0	0	0	0	319,860	305,458	14,402
0	0	0	0	0	0	70,044	68,590	1,454
0	0	0	0	0	0	268,339	233,559	34,780
0	0	0	12,586,038	12,555,613	30,425	12,840,808	12,627,195	213,613
306,646	226,646	80,000	0	0	0	306,646	226,646	80,000
150,025	147,523	2,502	0	0	0	150,025	147,523	2,502
465,339	380,543	84,796	12,954,589	12,817,856	136,733	20,154,127	19,123,057	1,031,070
(42,325)	50,890	93,215	(3,735,874)	(4,029,120)	(293,246)	(4,578,804)	(3,821,122)	757,682
0	0	0	0	0	0	0	3,100	3,100
0	0	0	0	638	638	0	3,236	3,236
0	0	0	0	0	0	270	203	(67)
0	0	0	0	0	0	(613,874)	0	613,874
0	0	0	0	23,200	23,200	0	246,926	246,926
0	0	0	0	(38,736)	(38,736)	0	(246,926)	(246,926)
0	0	0	0	7,235	7,235	0	7,670	7,670
0	0	0	0	0	0	0	(7,670)	(7,670)
0	0	0	0	(7,663)	(7,663)	(613,604)	6,539	620,143
(42,325)	50,890	93,215	(3,735,874)	(4,036,783)	(300,909)	(5,192,408)	(3,814,583)	1,377,825
182,325	182,325	0	(5,193,397)	(5,193,397)	0	(3,690,592)	(3,690,592)	0
0	0	0	10,315,245	10,315,245	0	10,441,424	10,441,424	0
\$140,000	\$233,215	\$93,215	\$1,385,974	\$1,085,065	(\$300,909)	\$1,558,424	\$2,936,249	\$1,377,825

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**Operating Revenues:**

Tuition	\$25,179
Sales	170,632
<b>Total Operating Revenues</b>	<u>195,811</u>

**Operating Expenses:**

Salaries	78,069
Fringe Benefits	33,753
Purchased Services	9,070
Materials and Supplies	8,194
Cost of Sales	119,515
Depreciation	13,689
Other Operating Expenses	400
<b>Total Operating Expenses</b>	<u>262,690</u>

<b>Operating Loss</b>	<u>(66,879)</u>
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**Non-Operating Revenues (Expenses):**

Federal Donated Commodities	26,483
Operating Grants	39,614
Interest	4,761
Loss on Disposal of Fixed Assets	(1,665)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>69,193</u>

<b>Net Income</b>	2,314
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Retained Earnings at Beginning of Year	<u>124,874</u>
Retained Earnings at End of Year	<u>127,188</u>

Contributed Capital at Beginning of Year	13,452
Contributions from Other Funds	<u>154,034</u>
Contributed Capital at End of Year	<u>167,486</u>

<b>Total Fund Equity at End of Year</b>	<u><u>\$294,674</u></u>
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*See Accompanying Notes to the General Purpose Financial Statements*



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Tuition	\$27,040	\$25,179	(\$1,861)
Sales	164,722	170,641	5,919
Operating Grants	43,030	44,306	1,276
Interest	4,890	4,761	(129)
Other Revenues	515	0	(515)
Proceeds from Sale of Fixed Assets	0	316	316
<b>Total Revenues</b>	<u>240,197</u>	<u>245,203</u>	<u>5,006</u>
<b>Expenses:</b>			
Salaries	129,030	98,886	30,144
Fringe Benefits	38,782	26,034	12,748
Purchased Services	26,096	9,070	17,026
Materials and Supplies	118,027	102,597	15,430
Capital Outlay	78,000	14,165	63,835
Other Expenses	400	400	0
<b>Total Expenses</b>	<u>390,335</u>	<u>251,152</u>	<u>139,183</u>
Excess of Revenues Under Expenses	(150,138)	(5,949)	144,189
Fund Balances at Beginning of Year	150,027	150,027	0
Prior Year Encumbrances Appropriated	111	111	0
<b>Fund Balances at End of Year</b>	<u>\$0</u>	<u>\$144,189</u>	<u>\$144,189</u>

*See Accompanying Notes to the General Purpose Financial Statements*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$195,820
Cash Payments for Salaries	(98,886)
Cash Payments for Fringe Benefits	(26,034)
Cash Payments to Suppliers for Goods and Services	(109,803)
Cash Payments for Other Expenses	(400)
Net Cash Used for Operating Activities	<u>(39,303)</u>

**Cash Flows from Noncapital Financing Activities:**

Cash Received from Operating Grants	<u>44,306</u>
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**Cash Flows from Capital and Related Financing Activities:**

Cash Payments for Fixed Assets	(1,864)
Cash Received from Disposal of Fixed Assets	316
Net Cash Used for Capital and Related Financing Activities	<u>(1,548)</u>

**Cash Flows from Investing Activities:**

Cash Received from Interest	<u>4,761</u>
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Net Increase in Cash and Cash Equivalents	8,216
Cash and Cash Equivalents at Beginning of Year	<u>150,138</u>

<b>Cash and Cash Equivalents at End of Year</b>	<b><u><u>\$158,354</u></u></b>
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**Reconciliation of Operating Loss to Net Cash Used for Operating Activities:**

Operating Loss	(\$66,879)
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**Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities**

Depreciation	13,689
Donated Commodities Used During Year	26,483
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	9
Decrease in Inventory Held for Resale	391
Increase in Materials and Supplies Inventory	(63)
Increase in Accounts Payable	165
Decrease in Accrued Wages and Benefits	(6,872)
Decrease in Compensated Absences Payable	(2,554)
Decrease in Intergovernmental Payable	(3,672)
Net Cash Used for Operating Activities	<u><u>(\$39,303)</u></u>

**Non-Cash Capital Transactions:**

During fiscal year 2000, the Food Service enterprise fund received fixed assets that were purchased in the School District's governmental funds, in the amount of \$154,034.

*See Accompanying Notes to the General Purpose Financial Statements*

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Fort Recovery 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 and/or federal guidelines.

The School District was established in 1958. The School District serves an area of approximately sixty square miles. It is located in Mercer and Darke Counties. The School District is the 503rd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by forty-one classified employees, sixty-one certified teaching personnel, and five administrative employees who provide services to nine hundred ninety-three students and other community members. The School District currently operates three instructional buildings, a bus garage, and an administration building.

The reporting entity is comprised 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 Fort Recovery 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 organizations' 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. There are no component units of the Fort Recovery Local School District.

The School District is associated with two jointly governed organizations, two insurance pools, and a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the NOACSC Workers' Compensation Group Rating Plan, the Mercer Auglaize Employee Benefit Trust, and the Fort Recovery Public Library. These organizations are presented in Notes 19, 20, and 21 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Fort Recovery 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. Following are the more significant of the School District's accounting policies.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 of governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

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

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Fund**

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

**Capital Projects Funds**

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type:**

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

**Enterprise Funds**

Enterprise funds are used to account for 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.

**3. Fiduciary Fund Types:**

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

**4. 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, except those accounted for in proprietary funds or trust funds.

**General Long-Term Obligations Account Group**

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

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

The modified accrual basis of accounting is followed for the governmental fund types 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: taxpayer-assessed income taxes, grants, interest, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 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 enterprise funds. 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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**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 object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

The Title VI-B special revenue fund is a flow-through grant in which the Mercer County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**1. 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 Mercer County Budget Commission for rate determination.

**2. Estimated Resources**

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

**3. Appropriations**

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board may pass supplemental fund appropriations as 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 appropriation resolutions were legally enacted.

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.

**4. 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 fund types and reported in the notes to the financial statements for the enterprise funds.

**5. 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 Investments**

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

Cash and cash equivalents that are held separately for the School District by an escrow agent and not held within the School District treasury are recorded on the combined balance sheet as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2000, investments were limited to certificates of deposit, mutual funds, and federal agency securities. Certificates of deposit are reported at cost. Mutual funds and federal agency securities are reported at fair value, which is based on quoted market prices.

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 was \$146,072, which included \$53,034 assigned from other School District funds.

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



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. 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 purchase and an expenditure/expense is recorded in the year in which services are consumed.

**F. Inventory**

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

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**H. Fixed Assets and Depreciation**

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

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

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

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables/Payables".

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated 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 enterprise funds, the entire amount of compensated absences is reported as a fund liability.

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

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

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

**L. Contributed Capital**

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

Because the School District had not prepared financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balance Reserves and Designations**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designations for textbooks, capital improvements, and budget stabilization represent revenues set aside that exceed statutorily required amounts.

**N. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise 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 Allocation

**Non-Reimbursable Grants**

**Special Revenue Funds**

- School Improvement Model
- Phonics Demonstration Project
- Professional Development
- Excellence in Education
- Education Management Information Systems
- Public School Preschool
- SchoolNet Professional Development
- Textbook/Instructional Materials
- Ohio Reads
- Safe School Helpline
- Parent Involvement Planning
- School Improvement Incentive
- Eisenhower
- Title VI-B

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Non-Reimbursable Grants (continued)**

**Special Revenue Funds (continued)**

- Title I
- Title VI
- Drug Free
- Reducing Class Size
- Family and School Partnership
- Virtual Middle School
- Raising the Bar
- Networking for Systems Improvement

**Capital Projects Funds**

- Classroom Facilities
- SchoolNet
- Technology Equity
- Emergency School Building Repair

**Reimbursable Grants**

**General Fund**

- Driver Education

**Special Revenue Fund**

- Telecommunication

**Enterprise Fund**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 79 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

**O. Interfund Transactions**

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**P. 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.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. 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.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2000, the Title I, Title VI, and Drug Free special revenue funds had deficit fund balances, in the amount of \$4,187, \$174, and \$444, 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.

**B. Compliance**

The General Fund, operating transfers out account; Reducing Class Size special revenue fund, regular instruction/salaries account; and Classroom Facilities capital projects fund, building acquisition and construction services/capital outlay account, had expenditures in excess of appropriations for the fiscal year ended June 30, 2000, in the amount of \$7,670, \$236, and \$457,539 respectively.

**4. BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

4. For enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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	\$514,212	(\$38,867)	\$53,616	(\$2,092,361)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1999, Received in Cash FY 2000	15,011	2,060	0	0
Accrued FY 2000, Not Yet Received in Cash	(207,014)	(1,382)	(2,726)	(1,425)
Expenditure Accruals:				
Accrued FY 1999, Paid in Cash FY 2000	(595,676)	(20,887)	0	(794,683)
Accrued FY 2000, Not Yet Paid in Cash	689,378	39,153	0	1,232,640
Cash Adjustments:				
Unrecorded Activity FY 2000	0	0	0	(37,113)
Prepaid Items	(10,845)	0	0	0
Advances In	123,383	100,343	0	23,200
Advances Out	(123,543)	(84,647)	0	(38,736)
Encumbrances Outstanding at Year End (Budget Basis)	(170,102)	(59,267)	0	(2,328,305)
Budget Basis	\$234,804	(\$63,494)	\$50,890	(\$4,036,783)

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Income/Excess of Revenues Under Expenses Enterprise Funds	
GAAP Basis	\$2,314
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Received in Cash FY 2000	4,753
Accrued FY 2000, Not Yet Received in Cash	(52)
Expense Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(53,960)
Accrued FY 2000, Not Yet Paid in Cash	41,027
Inventory Held for Resale	391
Materials and Supplies Inventory	(63)
Acquisition of Fixed Assets	(1,864)
Depreciation Expense	13,689
Proceeds from Disposal of Fixed Assets	316
Loss on Disposal of Fixed Assets	1,665
Encumbrances Outstanding at Year End (Budget Basis)	<u>(14,165)</u>
Budget Basis	<u><u>(\$5,949)</u></u>

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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 bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$1,443 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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".



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

At fiscal year end, the carrying amount of the School District's deposits was \$2,381,473 and the bank balance was \$3,108,498. Of the bank balance, \$481,266 was covered by federal depository insurance and \$2,627,232 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are 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 for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
Federal Home Loan Bank Notes	\$496,450	\$496,450
Federal National Mortgage Association Notes	2,479,300	2,479,300
	\$2,975,750	2,975,750
Mutual Funds		592,354
Totals		\$3,568,104

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 classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,951,020	\$0
Cash on Hand	(1,443)	0
Investments:		
Federal Home Loan Bank Notes	(496,450)	496,450
Federal National Mortgage Association Notes	(2,479,300)	2,479,300
Mutual Funds	(592,354)	592,354
GASB Statement No. 3	\$2,381,473	\$3,568,104

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market 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.

Public utility real and tangible personal property taxes were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes were levied after April 1, 2000, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Mercer and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties 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, public utility property, and tangible personal property taxes which were 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 \$11,190 in the General Fund, \$287 in the Classroom Facilities special revenue fund, \$2,726 in the Bond Retirement debt service fund, and \$1,335 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1999, was \$11,992 in the General Fund.

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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES (Continued)**

	1999 Second - Half Collections		2000 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,089,890	81.48%	\$56,845,970	84.02%
Public Utility	3,681,100	6.51	3,662,510	5.41
Tangible Personal	6,795,810	12.01	7,151,280	10.57
Total Assessed Value	<u>\$56,566,800</u>	<u>100.00%</u>	<u>\$67,659,760</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.05		\$36.05	

**7. INCOME TAXES**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, income taxes, accounts (student fees and billings for user charged services), intergovernmental, accrued interest, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$1,876.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Driver Education	\$1,150
Celina City School District	1,456
Mercer County	157
Total General Fund	<u>2,763</u>
Capital Project Fund	
Classroom Facilities	90
Total Intergovernmental Receivables	<u>\$2,853</u>

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**9. FIXED ASSETS**

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

Furniture and Equipment	\$101,669
Construction in Progress	<u>154,034</u>
Total Fixed Assets	255,703
Less Accumulated Depreciation	<u>(77,328)</u>
Net Fixed Assets	<u><u>\$178,375</u></u>

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

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Land and Improvements	\$1,043,018	\$555,431	\$0	\$1,598,449
Buildings and Improvements	1,905,519	617,746	1,000	2,522,265
Furniture, Fixtures, and Equipment	1,451,109	476,452	156,545	1,771,016
Vehicles	602,389	142,413	68,382	676,420
Construction in Progress	3,016,283	9,111,006	0	12,127,289
Totals	<u><u>\$8,018,318</u></u>	<u><u>\$10,903,048</u></u>	<u><u>\$225,927</u></u>	<u><u>\$18,695,439</u></u>

**10. INTERFUND ASSETS/LIABILITIES**

At June 30, 2000, the General Fund had an interfund receivable, in the amount of \$15,696, and the Eisenhower, Drug Free, and Raising the Bar special revenue funds had interfund payables, in the amount of \$3,305, \$2,391, and \$10,000, respectively.

**11. 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 for the following insurance coverages.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

Coverages provided by Indiana Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$27,669,451
Inland Marine (\$100 deductible)	1,202,839

Coverages provided by Harcum-Hyre Insurance are as follows:

General Liability	
Per Occurrence	2,000,000
Per Year	5,000,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists	2,000,000
Crime Insurance	
In Building	2,000
In Transit	1,000

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

The School District participates in the Mercer Auglaize Employee Benefit Trust (the Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2000, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**12. CONTRACTUAL COMMITMENTS**

At June 30, 2000, the School District had the following significant contractual commitments:

Company	Project	Contract Remaining Amount
Jutte Excavating, Inc.	New Elementary/Middle School	\$470,055
Capital City Fire Protection	New Elementary/Middle School	22,860
Peterson Construction Co.	New Elementary/Middle School	242,384
Hanks Plumbing & Heating Co.	New Elementary/Middle School	206,028
Koesters Electric, Inc.	New Elementary/Middle School	315,038
Koesters Electric, Inc.	High School Renovations	134,000
Farnham Equipment Co.	New Elementary/Middle School	11,203
Farnham Equipment Co.	High School Renovations	45,500
Wasserstrom Co.	New Elementary/Middle School	105,465
Delta Innovations, LTD	New Elementary/Middle School	153,098
Lippincot Plumbing, Heating	High School Renovations	78,608
Schumm Plumbing & Heating	High School Renovations	29,388
Miami & Erie Contractors	High School Renovations	326,000
Universal Custom Millwork	High School Renovations	151,000
Esquire Data Corp.	New Elementary/Middle School	59,641
Data Com-Link, Inc.	New Elementary/Middle School	68,000

**13. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$155,198, \$139,534, and \$292,684, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$26,316, is recorded as a liability within the respective funds.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North 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 an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$38,269, \$46,377, and \$60,406, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$19,089, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**14. 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 classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$206,931 for fiscal year 2000.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**14. POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal 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 years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, 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 has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$75,629 for fiscal year 2000.

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 annual health care expenses. Expenses for health care at 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 health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**15. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty days for administrators and two hundred ten days for all other eligible personnel. Upon retirement, payment is made for one-fourth of one hundred forty days accrued, plus an additional one and one-half days for each year over twenty years of service in the Fort Recovery Local School System to a maximum of fifty-five days.

**B. Health Care Benefits**

The School District provides medical, dental, and vision insurance to employees through the Mercer Auglaize Employee Benefit Trust. The premium varies with each employee depending on marital and family status. The School District provides life insurance to employees through CoreSource.



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**15. OTHER EMPLOYEE BENEFITS (Continued)**

**C. Supplemental Severance Payment for Retirement at Initial Eligibility**

The special termination benefit is available to all retiring certified employees who have completed at least ten years or its equivalent of regular, full-time employment with the School District or pro-rated for part-time certified employees in proportion to their current percentage of a full-time contract. The employee must provide written verification of their retirement date and their intent to retire, to the Board of Education, by April 1, and retire no later than the start of the succeeding fiscal year. The termination benefit shall equal forty days of additional severance pay, with payment made during the first pay period in January following retirement. Failure to accept the termination benefit in their first year of retirement eligibility will make the employee ineligible to receive the benefit during any subsequent year. For the fiscal year ended June 30, 2000, the School District did not have a liability for special termination benefits.

**16. LONG-TERM OBLIGATIONS**

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

	Interest Rates	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
<u>General Long-Term Obligations</u>					
General Obligation Bonds					
1998 School Improvement					
Serial and Term Bonds	3.75 - 4.9%	\$3,105,000	\$0	\$100,000	\$3,005,000
Capital Appreciation Bonds	7.5	276,191	13,549	0	289,740
1996 Permanent Improvement Notes	4.25	155,000	0	75,000	80,000
1991 Energy Conservation Loan	4.08	56,794	0	37,170	19,624
1989 Asbestos Removal Loan	0	54,453	0	5,732	48,721
1986 Asbestos Removal Loan	0	56,837	0	8,744	48,093
Total General Obligation Debt		<u>3,704,275</u>	<u>13,549</u>	<u>226,646</u>	<u>3,491,178</u>
Intergovernmental Payable		29,828	38,385	29,828	38,385
Compensated Absences Payable		289,333	60,870	0	350,203
Total General Long-Term Obligations		<u>\$4,023,436</u>	<u>\$112,804</u>	<u>\$256,474</u>	<u>\$3,879,766</u>

**1998 School Improvement General Obligation Bonds** - On August 1, 1998, the School District issued \$3,389,193 in voted general obligation bonds for the acquisition, construction, and improvement to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,705,000, \$1,500,000, and \$265,339, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1, in the years and respective principal amounts as follows:

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**16. LONG-TERM OBLIGATIONS (Continued)**

Year	Amount
2014	\$190,000
2015	195,000
2016	205,000
2017	215,000
2018	225,000
2019	235,000

Unless previously redeemed, the remaining principal amount of \$235,000 will mature at stated maturity (December 1, 2020).

The term bonds maturing on or after December 1, 2009, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2008, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2008 through November 30, 2009	101%
December 1, 2009 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$525,000. For fiscal year 2000, \$13,549 was accreted for total bond value of \$289,740.

**1996 Permanent Improvement Note** - On January 1, 1996, the School District issued \$360,000 in unvoted general obligation notes for the building improvements. The notes were issued for a five year period, with final maturity during fiscal year 2001. The notes have an interest rate of 4.25 percent, and are being retired from the Bond Retirement debt service fund.

**1991 Energy Conservation Loan** - On January 3, 1991, the School District issued unvoted general obligation notes for providing energy conservation measures for the School District. The notes were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten year period, with final maturity during fiscal year 2001. The notes have an interest rate of 4.25 percent, and are being retired from the Bond Retirement debt service fund.

**1989 EPA Asbestos Loan** - On June 2, 1989, the School District obtained an interest free loan for asbestos removal. The loan was issued for a twenty year period, with final maturity during fiscal year 2009. The loan is being retired from the Bond Retirement debt service fund.

**1986 EPA Asbestos Loan** - On August 13, 1986, the School District obtained an interest free loan for asbestos removal. The loan was issued for a nineteen year period, with final maturity during fiscal year 2006. The loan is being retired from the Bond Retirement debt service fund.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**16. LONG-TERM OBLIGATIONS (Continued)**

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$2,950,579 with an unvoted debt margin of \$67,660 at June 30, 2000.

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

Fiscal Year Ending June 30,	General Obligation Bonds	Permanent Improvement Note	Energy Conservation Loan	1989 EPA Asbestos Loan	1986 EPA Asbestos Loan
2001	\$236,348	\$81,700	\$19,870	\$5,732	\$8,744
2002	232,323	0	0	5,732	8,744
2003	233,145	0	0	5,732	8,744
2004	238,606	0	0	5,732	8,744
2005	268,033	0	0	5,732	8,744
2006 - 2010	1,258,868	0	0	20,061	4,373
2011 - 2015	1,016,410	0	0	0	0
2016 - 2020	1,269,163	0	0	0	0
2021	240,758	0	0	0	0
	<u>\$4,993,654</u>	<u>\$81,700</u>	<u>\$19,870</u>	<u>\$48,721</u>	<u>\$48,093</u>

In fiscal year 1998, the School District was approved for participation in a \$16,145,140 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State will pay for a portion of the estimated project costs (\$12,754,640). Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds provided by the State Classroom Facilities Commission, in excess of construction costs, shall be returned to the Commission. Any funds remaining from the issuance of the bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

**17. RESERVATIONS OF FUND BALANCE**

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. These amounts must be carried forward to be used for the same purposes in future years. In addition, the School District is also required to set aside money for budget stabilization.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**17. RESERVATIONS OF FUND BALANCE (Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 1999	\$0	\$0	\$54,674
Current Year Set Aside Requirement	118,608	118,608	39,535
Current Year Offset			(17,532)
Qualifying Expenditures	(148,218)	(134,641)	0
Amount Carried Forward to Fiscal Year 2001	<u>(\$29,610)</u>	<u>(\$16,033)</u>	<u>\$0</u>
Set Aside Reserve Balance June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$76,677</u>

The School District had qualifying expenditures during the year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirements of future years. The total reserve balance for set asides at the end of the fiscal year was \$76,677.

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, adult education, and preschool. The table below reflects the more significant financial data relating to the enterprise funds of the Fort Recovery Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Adult Education	Preschool	Total
Operating Revenues	\$168,260	\$2,372	\$1,500	\$23,679	\$195,811
Depreciation Expense	1,440	0	0	12,249	13,689
Operating Income (Loss)	(68,803)	1,019	128	777	(66,879)
Federal Donated Commodities	26,483	0	0	0	26,483
Operating Grants	39,614	0	0	0	39,614
Net Income (Loss)	1,974	1,019	128	(807)	2,314
Current Capital Contributions	154,034	0	0	0	154,034
Fixed Asset Additions	155,898	0	0	2,204	158,102
Fixed Asset Reductions	3,989	0	0	15,452	19,441
Net Working Capital	81,140	3,401	135	42,409	127,085
Total Assets	285,866	3,401	135	52,725	342,127
Total Equity	243,253	3,401	135	47,885	294,674
Encumbrances Outstanding at Year End (Budget Basis)	11,961	0	0	2,204	14,165

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. 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 member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**B. Mercer County Local Professional Development Committee**

The School District is a participant in the Mercer County Local Professional Development Committee (the Committee), which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, one superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

**20. INSURANCE POOLS**

**A. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Mercer Auglaize Employee Benefit Trust**

The Mercer Auglaize Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participants superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; Schmidt, Long, and Associates, Inc., 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**21. RELATED ORGANIZATION**

**Fort Recovery Public Library**

The Fort Recovery Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Fort Recovery Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fort Recovery Public Library, Pam Fullenkamp, Clerk/Treasurer, 113 North Wayne Street, Fort Recovery, Ohio 45846.

**22. 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 monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,181,411 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 \$12,704,640 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme 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 Ohio 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 Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme 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.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**23. CONTINGENT LIABILITIES**

**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**

There are currently no matters in litigation with the School District as defendant.

**24. SUBSEQUENT EVENTS**

In September 2000, the School District was awarded additional State funds for the Ohio School Facilities Commission Classroom Facilities project in the amount of \$571,408 as a one-time adjustment for inflation made according to criteria established by the Ohio School Facilities Commission based upon the original project budget not including a cost factor for inflation.

In November 2000, a 2.3 mill permanent improvement tax levy was approved at the general election for a period of five years for the School District.

In December 2000, the School District was awarded a \$150,000 Raising the Bar federal grant which is to be spent during fiscal year 2001.

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Project Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$0	\$24,034	\$0	\$26,483
National School Lunch Program	048595-03-PU-00	10.555	42,679	0	42,679	0
Total U.S. Department of Agriculture			42,679	24,034	42,679	26,483
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Goals 2000 - State and Local Educ. Systematic Imp. Grants						
Networking for Systematic Improvement	048595-G2-S2-99	84.276	19,875	0	34,001	0
	048595-G2-S2-98C	84.276	78,212	0	104,313	0
Total Networking for Systematic Improvement			98,087	0	138,314	0
Family and School Partnership	048595-G2-S2-99	84.276	0	0	867	0
	048595-G2-S8-00	84.276	6,000	0	5,108	0
Total Family and School Partnership			6,000	0	5,975	0
Total Goals 2000 - State and Local Educ. Systematic Imp. Grants			104,087	0	144,289	0
Title I Grants to Local Educational Agencies	048595-C1-S1-00	84.010	50,697	0	45,318	0
	048595-C1-S1-99	84.010	0	0	7,262	0
Total Title I Grants to Local Educational Agencies			50,697	0	52,580	0
Eisenhower Professional Development State Grant	048595-MS-S1-00	84.281	3,189	0	0	0
Innovative Education Program Strategies	048595-C2-S1-00	84.298	3,203	0	2,929	0
	048595-C2-S1-99C	84.298	659	0	659	0
	048595-C2-S1-99	84.298	0	0	2,361	0
Total Innovative Education Program Strategies			3,862	0	5,949	0
Technology Literacy Challenge Fund Grants	048595-TF-14-00	84.318	37,085	0	37,085	0
	048595-TF-15-00	84.318	25,000	0	515	0
	048595-TF-S1-99	84.318	0	0	58,674	0
	048595-TF-VM-99	84.318	27,000	0	26,326	0
Total Technology Literacy Challenge Fund Grants			89,085	0	122,600	0
Class Size Reduction	048595-CR-S1-00	84.340	10,915	0	8,479	0
<i>Passed Through Mercer County Educational Service Center</i>						
Safe and Drug-Free Schools and Communities - State Grant	1999	84.186	1,606	0	1,869	0
	2000	84.186	0	0	444	0
Total Safe and Drug-Free School and Communities - State Grant			1,606	0	2,313	0
Total U.S. Department of Education			263,441	0	336,210	0
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$306,120</b>	<b>\$24,034</b>	<b>\$378,889</b>	<b>\$26,483</b>

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



**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had \$ 3,110 in donated food commodity inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on the Schedule.

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

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

Fort Recovery Local School District  
Mercer County  
P. O. Box 612  
207 South Gwendolyn Street  
Fort Recovery, Ohio 45846

To the Board of Education:

We have audited the financial statements of Fort Recovery Local School District, Mercer County, (the School District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 27, 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 27, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 School District in a separate letter dated December 27, 2000.

Fort Recovery Local School District  
Mercer County  
Report of Independent Accountants on Compliance and Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

December 27, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Fort Recovery Local School District  
Mercer County  
P. O. Box 612  
207 South Gwendolyn Street  
Fort Recovery, Ohio 45846

To the Board of Education:

**Compliance**

We have audited the compliance of Fort Recovery Local School District, Mercer County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2000. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

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

**Internal Control Over Compliance**

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

Fort Recovery Local School District  
Mercer County  
Report of Independent Accountants on Compliance With Requirements Applicable to  
Each Major Federal Program and Internal Control Over Compliance  
In Accordance With OMB Circular A-133  
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, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 27, 2000

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>Goals 2000 - CFDA #84.276 Technology Literacy Challenge Fund Grant - CFDA #84.318</b>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	<b>Type A: &gt; \$ 300,000 Type B: all others</b>
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>No</b>

**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

**FORT RECOVERY LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
FOR THE YEAR ENDED JUNE 30, 2000**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;</b>
1999-10254-001	Fixed Assets listing reconciliation to amounts reported on the general purpose financial statements.	Yes	N/A - Corrected





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**FORT RECOVERY LOCAL SCHOOL DISTRICT**

**MERCER 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 30, 2001**